

**ITEM 1 – COVER PAGE**

**FORM ADV PART 2A: FIRM BROCHURE**

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**WEATHERVANE ASSET MANAGEMENT LLC**

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Fort Lauderdale, FL 33301  
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**March 2024**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF WEATHERVANE ASSET MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (516) 305-9438. 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 WEATHERVANE ASSET MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

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## **ITEM 2 - MATERIAL CHANGES**

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Since filing the last Annual Amendment to Form ADV in March 2023, there have been no material changes.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes, as necessary.

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### ITEM 3 - TABLE OF CONTENTS

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ITEM 2 - MATERIAL CHANGES.....	1
ITEM 3 - TABLE OF CONTENTS .....	2
ITEM 4 - ADVISORY BUSINESS.....	3
ITEM 5 - FEES AND COMPENSATION.....	5
ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7 - TYPES OF CLIENTS.....	9
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	9
ITEM 9 - DISCIPLINARY INFORMATION .....	19
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	20
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	21
ITEM 12 - BROKERAGE PRACTICES .....	23
ITEM 13 - REVIEW OF ACCOUNTS.....	25
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION.....	26
ITEM 15 - CUSTODY .....	26
ITEM 16 - INVESTMENT DISCRETION .....	27
ITEM 17 - VOTING CLIENT SECURITIES.....	27
ITEM 18 - FINANCIAL INFORMATION .....	28

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## ITEM 4 - ADVISORY BUSINESS

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Weathervane is a Florida-based investment advisory and management firm, founded in 2020. Kevin Chen is the managing member and principal owner (the “Manager Executive”) of Weathervane.

Weathervane has affiliated investment advisers, JJFT Management, LLC, JJC Asset Management, and KAJJ Management, LLC with whom it has an “umbrella” registration with the U.S. Securities and Exchange Commission. An umbrella registration can be used by two or more investment adviser firms to file under a single investment adviser registration. Weathervane is the “filing” adviser that has filed a single umbrella registration for itself and JJFT Management, LLC, JJC Asset Management, LLC and KAJJ Management, LLC as the “relying” advisers. To satisfy the requirements of Form ADV while using umbrella registration the filing adviser must sign, file, and update as required, a single Form ADV (Parts 1 and 2) that relates to, and includes all information concerning, the filing adviser and each relying adviser (e.g., disciplinary information and ownership information), and must include this same information in any other reports or filings it must make under the Advisers Act or the rules thereunder (e.g., Form PF). Therefore, this Form ADV Part 2A has been prepared for Weathervane as well as JJFT Management, LLC, JJC Asset Management, LLC and KAJJ Management, LLC. See *Item 10 – Other Financial Activities and Affiliations* for more information.

### ***Private Fund Management Services***

Weathervane provides advisory services to special purpose investment entities organized as series limited liability companies which are “private funds” under the regulations adopted by the SEC (each referred to as a “Private Fund,” and collectively, the “Private Funds”<sup>1</sup>), each series (each a “Series” and, collectively, the “Series”) of which is created to acquire restricted securities of a specific issuer (“Portfolio Securities”). The Private Funds may also invest securities in money-market funds. The specific structure and characteristics of each Private Fund will be described in greater detail in the organizational documents and subscription materials for the applicable Private Fund (the “Operating Agreement”). Affiliates of Weathervane serve as the managing members to the Private Funds (See *Item 16 – Custody* for more information).

The Private Funds are exempt from registration as investment companies under the Investment Company Act of 1940. The offer and sale of interests in Private Funds are also exempt from registration under the Securities Act of 1933 and similar state laws. As investment adviser, we have sole and complete responsibility for managing each Private Fund’s investment portfolio pursuant to the investment objectives and investment policies of each particular Private Fund.

We will recommend the Private Funds as an investment opportunity to our Investment Management Services clients. This is a conflict of interest, and consequently the investment advice provided by us about the merits of investing in the Private Funds is biased. Please refer to Items 5, 10 and 11 for more information about this conflict of interest and our procedures designed to mitigate the conflict of interest.

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<sup>1</sup> As an SEC-registered investment adviser, Weathervane owes a fiduciary duty to all of its investment advisory clients. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to private funds, clarified that the “client” of an investment adviser to a private fund is the fund itself and not an investor in the fund.

We have discretionary authority and are responsible for establishing and implementing each Private Fund's investment objectives and policies. (See *Item 15 – Investment Discretion* for more information).

The investment goals and objectives of the Private Funds are similar to the strategy we use to manage individual accounts through our Investment Management Services. Therefore, much of the information provided in Item 8 of this brochure pertains to both our individual account management services and our management of Private Funds.

Potential investors receive a copy of the applicable Confidential Private Placement Memorandum and are required to execute a subscription agreement in order to subscribe for interests in one or more Private Funds.

### ***Investment Management Services***

Weathervane offers Investment Management Services, which involves Weathervane providing you with continuous, ongoing supervision and management over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account") held at Charles Schwab & Company, Inc. (referred to as "Charles Schwab"). The Account consists only of separate account(s) held by Charles Schwab, as broker-dealer and qualified custodian, under your name. Charles Schwab maintains physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us using our Weathervane Momentum Investment Strategy (please refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for more information). We will collaborate with you to identify your overall investment objectives and risk tolerance to determine if our Weathervane Momentum Investment Strategy is appropriate for your needs and determine the appropriate amount of your overall investment portfolio that should be concentrated in the strategy. We will actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account. We primarily select and effect transactions in any stocks (including stocks of foreign issuers), bonds (including bonds of foreign issuers), options contracts (including covered and uncovered option contracts), Exchange Traded Funds ("ETFs"), and other general securities when deemed appropriate. We don't typically purchase shares of mutual funds but will do so if appropriate.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a

security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

**Regulatory Assets Under Management**

As of February 28, 2024, Weathervane has approximately \$332,447,482 in regulatory assets under management, all of which is managed on a discretionary basis.

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**ITEM 5 - FEES AND COMPENSATION**

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**Private Fund Management and Performance Fees.** The fees to be paid to Weathervane (and/or its affiliates) by each Private Fund will be separately negotiated with each Private Fund entity, but are generally expected to include:

- (i) a management fee (the "Management Fee") equal to two percent (2%) of the gross proceeds of a Private Fund's offering and any follow-on offering and/or additions to capital over the life of a Private Fund; and
- (ii) (ii) a performance-based distribution (the "Performance Fee") generally equal to a ten percent (10%) of the distributions made to the investors in the Private Fund, after the investors have received a return of their invested capital contributions to the Private Fund, as described in "*Performance-Based Fees and Side-by-Side Management*" below.

**Administrative Fees.** Weathervane shall pay each Private Fund's operating expenses, including, but not limited to, investment expenses (e.g., brokerage commissions, clearing and settlement expenses, custodial fees), legal expenses, internal and external accounting, audit and tax preparation expenses, costs of printing and mailing reports and notices to investors, costs of third party administrators, consultants, and extraordinary expenses, if any (the "Administrative Fees"). An expense of up to \$75,000 per year will be assessed per Series (including all sub-Series).

The specific compensation payable to Weathervane (and/or its affiliates) with respect to a particular Private Fund, or Series, will be separately negotiated and tailored with respect to the underlying investment opportunity or opportunities and may vary between Private Funds or Series, as applicable. The calculation, timing and amount such compensation, as well as any adjustments to be made to such amounts, is agreed upon by the Private Fund and Weathervane, and set out in the Operating Agreement of the Private Fund. Weathervane generally may waive, modify or reduce the management fee with respect to any investor or class of Members in a Private Fund.

Fees are paid by the Private Fund and may be paid out of cash that is otherwise distributable to the investors in the Private Fund, including cash held by the Private Fund after the disposition of an investment and before the proceeds are distributed to investors (*i.e.*, deducted from the assets of the Private Fund), or from other cash reserves or income streams held by the Private Fund.

**INVESTORS AND PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW THE ORGANIZATIONAL AND SUBSCRIPTION DOCUMENTS OF THE APPLICABLE PRIVATE FUND FOR FURTHER INFORMATION ABOUT THE FEES CHARGED TO INVESTORS. SUCH DOCUMENTS ARE AVAILABLE ONLY TO PROSPECTIVE INVESTORS WHO ARE**

**ELIGIBLE TO INVEST IN SUCH FUND, AS DETERMINED IN THE SOLE DISCRETION OF WEATHERVANE.**

**Investment Management Fees.** Weathervane believes that its annual investment management and performance fee arrangements are reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our fees may be higher than that charged by other investment advisers offering similar services/programs.

Fees charged for our Investment Management Services are assessed based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If Investment Management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

For our Investment Management services, client will be charged the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0 – \$250,000	2.00%
\$250,001 and Above	1.00%

**Investment Management - Performance Based Fees.** In addition to the annual fee based on the value of the client's assets under management, we are compensated for our Investment Management Services through a performance based fee. Under this arrangement, the client will be charged a fee contingent upon the performance within the client's account(s). The performance based fee will be tied to the capital appreciation (i.e. capital gains) within the account as evaluated at the end of each calendar quarter. The performance based fee will be payable quarterly, in arrears. The performance based fee will generally not exceed 25% of the capital appreciation attained within the client's account. In order for our firm to receive a performance based fee, we must achieve capital appreciation within the account above a pre-determined "Hurdle Rate" which we have defined as "The minimum amount of profit or returns an Account must earn before Weathervane will earn a Performance Fee. The Hurdle Rate is equal to the performance of the S&P 500 Index (including reinvestment of dividends) during that Performance Period (i.e. each calendar quarter)".

The Hurdle Rate will be pro-rated for shorter periods to account for any contributions or withdrawals. The Performance Fee will be calculated and based upon realized and unrealized gains in the Account. This limitation prevents Weathervane from receiving a Performance Fee as to profits in the Account that simply restore previous losses. Weathervane is entitled to receive a Performance Fee only to the extent the Account balance as of the end of the Performance Period exceeds the initial Account balance, with adjustments for any contributions or withdrawals.

Investment Management and Performance Fees are negotiable based on the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client. Therefore, the exact fee and fee arrangements may vary or be different than that described above based on the complexity of client's situation, number of accounts managed, total assets under management and other factors specific to the client. The exact fee arrangements for each client will be specified in that client's advisory services agreement with Weathervane.

**Payment of Fees.** You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by Charles Schwab or you can pay our firm upon receipt of a billing invoice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize Charles Schwab to deduct fees from your account and pay such fees directly to Weathervane. You should review your account statements received from Charles Schwab and verify that appropriate investment advisory fees are being deducted. Charles Schwab will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing invoice sent directly to you. The billing invoice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing invoice.

**Termination.** Investment Management Services continue until terminated by either party (i.e., Weathervane or you) by giving thirty (30) days written notice to the other party. Because fees are billed in arrears, Weathervane will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

**Other Fees and Expenses.** Brokerage expenses including any transaction fees charged by Charles Schwab are billed directly to you by Charles Schwab. Weathervane does not receive any portion of such fees and expenses from you or Charles Schwab. In addition, you may incur certain charges imposed by third parties other than Weathervane in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Weathervane are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

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## ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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As described above in *Item 5 – Fees and Compensation*, Weathervane or an affiliate of Weathervane (typically in its capacity as the managing member or equivalent of a Private Fund) is entitled to receive performance-based “carried interest” distributions from a Private Fund upon distribution of the proceeds from the Private Fund’s realized investments, as described in greater detail in the Private Fund’s Operating Agreement. Generally, these distributions (if any) are determined after the investors in the Private Fund have received distributions in an amount generally equal to a return of capital.

Weathervane generally may waive, modify or reduce the carried interest or other performance-based compensation due to Weathervane (and/or its affiliates) with respect to any Member or class of Members in a Private Fund.

Also as described above in *Item 5 – Fees and Compensation*, Weathervane charges Investment Management clients a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such client. Our performance fee for Investment Management Services is in addition to the asset-based fee we charge on the total amount of assets owned by the client. We do not have any arrangements whereby



we charge an asset-management fee without the performance fee component. Therefore, we do not have so-called “side-by-side” management where we are managing accounts with a performance fee and accounts without a performance fee at the same time.

**Conflicts of Interest Related to Performance-Based Compensation.** Performance-based fees in general (including the payment of performance-based fees at varying rates) creates an incentive for Weathervane or its supervised persons to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Such fee arrangements also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. Generally, and except as may be otherwise set forth in the Operating Agreements of the Private Funds, this conflict is mitigated because the investments of each Private Fund are generally limited to securities of specified Portfolio Securities that will be identified to prospective Members prior to their investment. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by Weathervane.

Specific to **Investment Management Services** and managing individual client accounts, there are conflicts associated with performance fees that are not as common under a strictly, asset-based fee arrangement. Similar to private fund management, the nature of performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset based fee account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an investment adviser is compensated based on capital gains or capital appreciation, these arrangements could give an investment adviser an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is in the best interest of the client.

Performance fees can potentially cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, Weathervane may receive a performance fee for simply recouping losses from the previous year. Weathervane controls for this potential conflict of interest by using a Hurdle Rate for its fee calculation method, as described in Item 5. Weathervane does not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance fees charged by Weathervane may be higher than the performance fees charged by other investment advisers for the same or similar services.

Weathervane has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- Weathervane uses an asset-based fee plus performance fee structure for all clients. Weathervane only works with clients that are able to assume the risk associated with our investment strategy and risks associated with a performance fee arrangement. Weathervane provides such clients full disclosure of the additional risks associated with a performance fee arrangement.
- Client accounts must reach a pre-determined and agreed upon Hurdle Rate before the performance based fee is charged.

Performance based fee arrangements of Weathervane will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural-person individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to Weathervane. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,100,000 under management with Weathervane at the time the client enters into an agreement with Weathervane; **or**
- Provide documentation to Weathervane so that Weathervane will reasonably believe the client has either a net worth of \$2,200,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

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## ITEM 7 - TYPES OF CLIENTS

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Weathervane provides investment advice to investment offerings forms as “private funds” under the regulations adopted by the SEC. The minimum investment for such funds is \$100,000 though Weathervane may accept lesser amounts in its sole discretion.

Interests in the Private Funds will be offered privately to a limited number of sophisticated investors, including institutional investors, pooled investment vehicles, privately-owned businesses, trusts, family offices and high net worth individuals. The investment terms applicable to each Private Fund will be subject to customization and negotiation based on various factors, including (without limitation) the size and structure of the underlying investment opportunity, the estimated time horizon for the investment, the available investment capacity and sources of financing, specific eligibility conditions or restrictions upon investors, and other considerations. However, Members generally must qualify as (i) “accredited investors”, within the meaning of Rule 501 of Regulation D under the Securities Act of 1933, as amended, and (ii) “qualified clients”, within the meaning of Rule 205-3 under the Investment Advisers Act of 1940, as amended.

Weathervane and its affiliates may enter into separate agreements, commonly referred to as “side letters”, with certain Members, which would have the effect of establishing rights under, altering, or supplementing the terms (including the economic terms) of the governing documents of the Private Fund, in a manner more favorable to such investor than those applicable to other Members. Such rights or terms pursuant to such agreements may include, without limitation, access to additional information, more favorable liquidity and/or transfer terms, or other rights or terms deemed necessary in light of particular legal, regulatory or tax characteristics of an investor.

Weathervane’s Investment Management Services are provided to high-net worth individuals, their families, trusts and estates. We are also available to work with small and medium-sized companies and other legal entities. As explained and defined in Item 6, all clients must meet the SEC’s thresholds for a “qualified client” due to our performance-fee arrangements. We do not have a minimum investment amount for our Investment Management Services.

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## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### ***Private Fund Management Services***

Weathervane provides advisory services to special purpose investment entities organized as series limited liability companies, each Series of which is created to acquire Portfolio Securities (as further defined below). In addition to the foregoing, Weathervane is authorized to make purchases in any other select company or companies deemed to be suitable by Weathervane in its sole discretion (all such securities are

collectively referred to as "Issuer Securities" and the issuers thereof are collectively referred to as the "Issuers"). Such purchases may be accomplished through direct purchases from the holders thereof, through investments in the purchases of various funds, limited liability companies, limited partnerships or other entities or the Issuers if possible (each a "Fund" and, collectively with the Issuer Securities, the "Portfolio Securities"), and/or any other means Weathervane in its sole discretion so determines, including, but not limited to, through the entry of a forward contract or economic interest agreement with the holder(s) of any Portfolio Securities, without regard to excessive concentration or balance, and may, at its sole discretion, pursue opportunities for liquidity in the Portfolio Securities by any method available.

**INVESTORS AND PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW THE ORGANIZATIONAL AND SUBSCRIPTION DOCUMENTS OF THE RELEVANT PRIVATE FUND AND ALL RELATED MATERIALS RELATING TO THE ASSOCIATED UNDERLYING PORTFOLIO SECURITIES INVESTMENT OPPORTUNITY FOR FURTHER DISCUSSION OF THE PRIVATE FUND'S INVESTMENTS AND TERMS. SUCH DOCUMENTS ARE AVAILABLE ONLY TO CURRENT MEMBERS OR PROSPECTIVE MEMBERS WHO ARE ELIGIBLE TO INVEST IN SUCH PRIVATE FUND ENTITIES, AS DETERMINED IN THE SOLE DISCRETION OF WEATHERVANE.**

#### **CERTAIN RISK FACTORS.**

##### **NO ASSURANCE OF PROFIT, CASH DISTRIBUTIONS OR APPRECIATION.**

There is no assurance that an investment in an Issuer and/or a Fund, once made by a Private Fund, will be profitable or will have economic value. There is no assurance that a Private Fund's investments will be profitable and there is a substantial risk that the Private Fund's losses and expenses will exceed its income and gains. Consequently, there can be no assurance that a Private Fund's investments will result in distributions to the Members, or that the Private Fund will be able to liquidate its investments on favorable terms.

**THERE CAN BE NO ASSURANCE THAT A PRIVATE FUND WILL BE ABLE TO PURCHASE AND/OR SELL PORTFOLIO SECURITIES AND/OR FUNDS AT ADVANTAGEOUS PRICES, IF AT ALL, OR THAT IT WILL ACHIEVE ITS INVESTMENT OBJECTIVE. MEMBERS MAY LOSE THEIR ENTIRE INVESTMENT.**

There can be no assurance that a Private Fund will be successful in purchasing and/or selling Portfolio Securities and/or Funds at advantageous prices, if at all, or that any investment by a Private Fund in Portfolio Securities, will prove to be profitable. Members should be aware that there is a risk that the applicable Private Fund may not be able to locate and/or purchase Portfolio Securities at prices that are advantageous or at any price and they may lose their entire investment in the Private Fund. If a Private Fund does not make any investment in Portfolio Securities, the Company will dissolve in accordance with the Operating Agreement. In addition, the holdings of a particular sub-Series may consist of Portfolio Securities or of entities holding Portfolio Securities that have been purchased by the Manager at different prices. To the extent this occurs, Members subscribing for interests in a particular sub-Series will participate in all existing investments made in the Series and consequently all Members will ultimately have an interest in all Portfolio Securities held by such Series (or sub-Series) that reflect a blended purchase price of all such Portfolio Securities purchased in such Series (or sub-Series). Moreover, even if the Private Fund is able to purchase Portfolio Securities, there can be no assurances it will be able to directly and/or indirectly sell such securities at prices above that paid by the Private Fund, if at all. Accordingly, Member interests should represent only a small portion of a Member's overall investment portfolio and net worth as the purchase of Member interests is a highly risky investment and the Member could lose their entire investment.

**IF A PRIVATE FUND ENTERS INTO ANY FORWARD CONTRACT(S) OR ECONOMIC INTEREST AGREEMENT(S) FOR THE PURCHASE OF PORTFOLIO SECURITIES, IT MAY EXPOSE ITSELF AND MEMBERS TO UNEXPECTED RISKS AND POTENTIAL LOSSES.**

The purchase of any Portfolio Securities may be accomplished by means of a contract with a prospective seller for the purchase of any such Portfolio Securities at a future date, subject to the satisfaction of certain conditions, otherwise known as a "Forward Contract" or an "Economic Interest Agreement". The closing on any Forward Contract or Economic Interest Agreement which a Private Fund will enter into will typically require the satisfaction and removal of any transfer restrictions which any Portfolio Securities may be subject at the time of entering into the Forward Contract or Economic Interest Agreement. Any Forward Contract or Economic Interest Agreement we enter into will be individually negotiated and non-standardized. Until such time as any Portfolio Securities subject to a Forward Contract or Economic Interest Agreement are transferred, we are subject to default risk and, if an event of default occurs, we may have to incur additional costs to enforce the contract. These factors could subject us to increased costs and/or loss of an investment.

**CONCENTRATION OF INVESTMENT.**

Each Private Fund was formed for the purpose of purchasing Portfolio Securities without regard to excessive concentration, balance or other limitations normally associated with portfolio management practices. A Private Fund may have all or a majority of its proceeds invested directly and/or indirectly in one or a limited number of Portfolio Securities. Given the potential concentration of a Private Fund's investments, and the potential concentration of any Private Fund's investments, the value of an investment in the Private Fund may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrence than would be the case if the Private Fund's investments were more diversified.

**NO CONTROL OVER THE ISSUERS, ISSUER SECURITIES AND/OR ANY FUNDS OR THEIR RESPECTIVE CURRENT OR FUTURE VALUATIONS.**

Each Private Fund will be an owner of restricted securities of the Issuers and/or Funds and will have no control over any Issuers and/or any Funds. Further, the value of a Private Fund's investment in any Issuer Securities and/or Funds, will be dependent upon the performance of the Issuers. A Private Fund has received no disclosure from the Issuers and it has not received, nor does it have access to, any public or non-public, verifiable information that would allow it to justify the current or future valuations of any Portfolio Securities it purchases. A Private Fund will not have any control over the management of any Issuer or any Fund and the success of any investments it makes in Portfolio Securities depends, in large part, on the ability and success of the management of any Issuer and/or any Fund, in addition to economic and market factors. The Issuer's services or products that are not yet developed or ready to be marketed or that have no established market, may be operating at a loss or have significant fluctuations in operating results, may be engaged in a rapidly changing business, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or otherwise may have a weak financial condition. There is a limited, negotiated market for Portfolio Securities and the prices at which Portfolio Securities may be purchased by a Private Fund is individually negotiated with each seller of Portfolio Securities. Accordingly, valuations may fluctuate considerably and the purchase price of the Portfolio Securities that are negotiated by a Private Fund may bear limited or no relationship to future valuations of such Portfolio Securities or the specific Issuer in any market that may develop for the Portfolio Securities, whether private or public.

## **THE COMPETITION FOR INVESTMENT IN ISSUERS IS INTENSE.**

Each Private Fund is aware that there are many other entities and persons that have invested and are seeking to raise capital to invest in Portfolio Securities, many of which have substantially more funds than the applicable Private Fund may have. Such competition may limit a Private Fund's ability to acquire Portfolio Securities at advantageous prices, if at all, which may, in turn, result in a reduction on the return on Members' investments or a complete loss of the Members' investments.

## **LIMITED LIQUIDITY OF PORTFOLIO SECURITIES.**

In the event that the Manager determines (in its sole discretion) to make distributions of Portfolio Securities (which such distribution shall be subject to and limited by federal and state securities laws), there is no current market through which the Portfolio Securities may be sold, and even if there were such a market, the transfer and/or sale of Portfolio Securities would be subject to significant restrictions. In addition, the Portfolio Securities will not be registered under Federal securities laws or qualified under any state securities law and are being sold in reliance upon exemptions under such laws. Unless the Portfolio Securities are registered for resale with the Securities and Exchange Commission (the "SEC") and any required state authorities, or an appropriate exemption from registration is available, Members who receive Portfolio Securities in any distribution by the applicable Private Fund may be unable to liquidate such securities, even though his or her personal financial condition may dictate such liquidation. Moreover, the resale of any Portfolio Securities following a distribution of Portfolio Securities will be subject to Rule 144 of the Securities Act and Members intending to sell Portfolio Securities distributed to them by the Private Fund may be required to aggregate their sales of Portfolio Securities with sales made by the Private Fund and other Members for some period of time following the distribution of such securities by the Private Fund. Therefore, prospective Members who require liquidity in their investments should not invest in a Private Fund.

## **NO ASSURANCE OF AN INITIAL PUBLIC OFFERING OR OTHER LIQUIDITY EVENT IN ANY PORTFOLIO SECURITIES.**

Although investments in Portfolio Securities may offer the opportunity for gains, such investments involve a high degree of business and financial risk that can result in substantial losses. The Manager currently intends to disburse any Portfolio Securities in a particular Series to Members of such Series in the event of an initial public offering or direct listing by an Issuer after the expiration of any applicable restriction period. However, no public market exists for any Portfolio Securities and no assurance can be given that an initial public offering or other liquidity event will be consummated by the Issuer in the future. Changes in the securities markets and general economic conditions, including economic downturns, fluctuations in interest rates, the availability of credit, inflation, and other factors may affect the value of investments of the Private Fund. The market for public offerings is cyclical in nature and, accordingly, there can be no assurance that the securities markets will, at any point in time, be receptive to public offerings. Due to the illiquid nature of many of the investments a Private Fund makes, the Manager is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given investment. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. For example, there may not be an active market for initial public offerings of securities, so a Private Fund may not be able to realize an exit through the public markets. If such an event does not occur, Members may lose their entire investment.

**RELIANCE ON THE MANAGER; MEMBERS HAVE NO VOTING OR DISPOSITIVE POWER OVER THE ISSUER SECURITIES.**

All decisions regarding management of a Private Fund including, but not limited to, the purchase price of Portfolio Securities and which to sell and at what price, will be made by and in the sole discretion of the Manager, and the Members will have no right to take part in the management of the Private Fund. All rights, preferences, privileges and restrictions with respect to the Portfolio Securities, including registration rights and other decisions that holders of Portfolio Securities may have, will belong to the Private Fund and will be the sole responsibility of and made by the Manager in its sole discretion and the Members will have no ability to make any decisions with respect thereto. No Member will have the right to either vote or dispose of any of the Portfolio Securities owned by a Private Fund. The determination to make distributions, whether in cash, in kind, or a combination thereof, will be made at the sole discretion of the Manager, even if the Portfolio Securities have been registered for resale under the Securities Act. In addition, no Member will have the right to withdraw all or any amount of its investment in the Private Fund (either in cash or in the form of Portfolio Securities) at any time without the prior consent of the Manager, which consent may be withheld for any reason or no reason. Accordingly, no party should make any investment in a Private Fund unless such party is willing to entrust all aspects of the Private Fund's management to the Manager.

**THE OPERATING AGREEMENT FOR EACH PRIVATE FUND PROVIDES FOR THE PAYMENT BY THE PRIVATE FUND OF FEES AND EXPENSES OF ORGANIZING THE PRIVATE FUND AND THE OFFERING AND ALSO THE FEES AND EXPENSES OF THE MANAGER, INCLUDING, BUT NOT LIMITED TO MANAGEMENT FEES AND ADMINISTRATIVE FEES, WHICH WILL REDUCE THE AMOUNT OF FUNDS AVAILABLE TO INVEST IN PORTFOLIO SECURITIES. THE ADMINISTRATIVE FEES WILL BE ALLOCATED AMONG THE SERIES BY THE MANAGER IN ITS DISCRETION. THERE CAN BE NO ASSURANCE THAT A PRIVATE FUND WILL BE ABLE TO EARN SUFFICIENT INCOME TO OFFSET THESE CHARGES.**

Pursuant to the Operating Agreement, unless otherwise set forth in a Series designation, a Private Fund is obligated to pay to the Manager certain fees and expenses, including, but not limited to, the costs and expenses associated with organization of the Private Fund, the Management Fee and the Administrative Fees. An expense of up to \$75,000 per year will be assessed per Series (including all sub-Series). For clarification, if there is more than one purchase of Portfolio Securities per Issuer which results in the creation of a sub-Series, all sub-Series associated with a single Issuer will have a combined maximum expense of \$75,000 per year per Series. The Manager intends on creating a reserve per Series (including any sub-Series) sufficient to cover expenses for a period of two years, or an aggregate of \$150,000, to cover Administrative Fees. In the event a liquidity event does not occur within 24 months and the Private Fund does not use all of the reserves set aside to cover the Administrative Fees during this two-year period, the Manager intends on using any excess reserves to cover any additional Administrative Fees which the Private Fund may incur until a liquidity event takes place. In the event a liquidity event occurs for a particular Series (or any sub-Series) and the Private Fund has not used all of the reserves previously set aside to cover Administrative Fees, such reserves will be returned to the Members of a Series or sub-Series on a pro rata basis upon such liquidity event. Amounts reserved for Administrative Fees will not be available for the purchase of Portfolio Securities. A Private Fund will also be obligated to pay out of the gross proceeds of the offering the fees and expenses of the offering, including initial legal expenses of up to \$50,000 (excluding any fees payable for the registration or qualification of the Securities being sold hereunder). Such fees and expenses will be out of the gross proceeds of the offering and accordingly, such funds will not be available to purchase Portfolio Securities. A Private Fund may incur additional legal costs in the future, including any costs associated with the acquisition of Portfolio Securities by a Series (or Sub-Series) of the Private Fund. In addition to the fees set forth above, the Manager may be entitled to a Performance Fee (after the Members receive their applicable distribution as set forth in the Operating Agreement). The

Performance Fee payable to the Manager may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. There can be no assurance that a Private Fund will be able to earn sufficient income to offset these charges. As a result of the foregoing, Members will not be able to recoup any of their investment in the Private Fund until such time as the Private Fund has generated income or the assets of the Private Fund have a value in excess of such fees and expenses. There can be no assurance that there will be any profits from the investment contemplated herein or that the Manager will have the incentive to actively develop a profit through the management of the Portfolio Securities.

#### **LIMITATION ON LIABILITY; INDEMNIFICATION.**

The Operating Agreement of each Private Fund contains limitations on the liability of the Manager and its affiliates for any action taken, or any failure to act, on behalf of the Private Fund unless there shall be a judgment or other final adjudication adverse to such Manager establishing that the Manager's acts or omissions of any such person which were taken or omitted in bad faith or constituted intentional misconduct, fraud and/or gross negligence but only if any such conduct is found by a court of competent jurisdiction after the time to bring all appeals has run. The Operating Agreement also provides for indemnification of the Manager and its affiliates and advance or reimbursement of expenses for any losses for which the Manager or its affiliates is absolved from liability under the terms of the Operating Agreement.

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**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED WITH WEATHERVANE'S AND ITS PRIVATE FUNDS' INVESTMENT OBJECTIVES OR AN INVESTMENT IN ANY PRIVATE FUND. THE UNDERLYING PORTFOLIO SECURITIES IN WHICH PRIVATE FUNDS INVEST MAY BE SUBJECT TO UNIQUE RISKS AND CONSIDERATIONS NOT DISCUSSED HEREIN. PROSPECTIVE MEMBERS MUST CONSULT THEIR OWN ADVISERS BEFORE DECIDING WHETHER TO MAKE SUCH AN INVESTMENT. MEMBERS AND PROSPECTIVE MEMBERS SHOULD CAREFULLY REVIEW THE ORGANIZATIONAL AND SUBSCRIPTION DOCUMENTS OF THE APPLICABLE PRIVATE FUND, TOGETHER WITH ALL INFORMATION PROVIDED BY OR ON BEHALF OF WEATHERVANE WITH RESPECT TO THE ASSOCIATED PORTFOLIO SECURITIES OR OTHER INVESTMENTS, BEFORE DECIDING WHETHER TO INVEST. SUCH DOCUMENTS ARE AVAILABLE ONLY TO CURRENT MEMBERS OR PROSPECTIVE MEMBERS WHO ARE ELIGIBLE TO INVEST IN SUCH ENTITIES, AS DETERMINED IN THE SOLE DISCRETION OF WEATHERVANE.**

#### ***Investment Management Services***

##### ***Methods of Analysis***

Our investment process combines top-down analysis to ascertain market direction and risk levels, with bottom-up analysis used to select individual positions.

##### **Top-down Analysis**

Market direction is judged based on chart techniques for multiple time frames.

Market risk is determined using three categories of indicators: valuation, breadth, and sentiment. For example, valuation may be gauged based on P/E ratios versus bond yields, and dividend yields versus bond yields. Breadth indicators include percentages of stocks that are over important short, intermediate, and long-term moving averages, and the number of stocks making new highs and lows for different time frames.

Sentiment is based on put/call ratios and includes other indicators such as the AAI Sentiment Survey, NFIB Small Business Optimism Index, and Consumer Confidence.

### **Bottom-up Analysis**

Once market direction and risk levels are assessed, individual positions, long or short, are chosen. The primary tool for choosing positions is relative strength. Chart analysis is used to find optimal entry points, breakouts, identify potentially oversold or overbought conditions, and for choosing appropriate stop loss points. Valuation is also a consideration, with free cash flow analysis a key factor.

Short-term trading tactics may be used when applicable. For example, extreme overbought conditions may be used for profit taking or shorting, even if we are positive on the position or the market longer-term. Potentially extreme oversold positions may be used for purchases, including positions which may not fit our usual value plus momentum criteria but which are so oversold a regression to the mean trade would appear to be appropriate.

### ***General Investment Objectives and Strategies***

We call our primary investment strategy the **Weathervane Momentum Investment Strategy** which can be described as momentum investing, combined with a valuation component. We rely heavily on relative strength and technical analysis to identify the strongest sectors and stocks, and if we believe they can go higher we buy them. We identify the weakest sectors and stocks, and if we believe they can go lower we will short them.

Momentum investors are heavily reliant on technical analysis. They use a data-driven approach to trading and look for patterns in stock prices to guide their purchasing decisions. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is subjective in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

When managing client accounts through our Investment Management Services program, our objective is to outperform the returns of the S&P 500.

Accounts will be actively managed. Accordingly, accounts may have high turnover rates and will have a concentrated portfolio. Accounts can hold long or short positions and will not be tax optimized. Market conditions will determine how active the portfolios will be.



In addition to our Weathervane Momentum Investment Strategy, Weathervane uses the following investment strategies when managing client assets:

- Long term purchases. Investments sold after being held for at least one year.
- Short term purchases. Investments sold within a year.
- Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase.
- Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- Inverse and Leveraged ETF – An inverse/leveraged ETF is a type of exchange traded investment. Like traditional ETFs, it can be designed to track a stock index such as the S&P 500. Unlike a traditional ETF, an inverse/leveraged ETF can be designed to produce a certain type of return in relation to a specified traditional ETF. For example, an inverse/leveraged ETF might be designed to produce the opposite return (or twice the return) of a certain, specified traditional ETF. As a result, inverse/leveraged ETFs can be a useful tool for sophisticated, active investors, especially those seeking to hedge against downward trends in the market. However, because the trading strategy of an inverse/leveraged ETF is re-evaluated on a daily basis based on the performance of the underlying ETF, the performance of an inverse/leveraged ETF over time can diverge greatly from that of the underlying ETF.
- Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Weathervane.
- Option writing including covered options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain

additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk - When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Inverse and Leveraged ETF Risk - Investment adviser representatives of Weathervane can select inverse or leveraged ETFs when managing accounts through our Investment Management Services. The risks involved in purchasing an inverse/leveraged ETF are significant and include low performance and loss of capital, especially in times of market volatility or when the investment is held for more than one trading day.

Weathervane has adopted policies and procedures to mitigate the risk that Weathervane or its investment adviser representatives will recommend an inverse/leveraged ETF when such a recommendation is contrary to a client's best interest.

- Clients need to understand that an inverse/leveraged ETF will not replicate the market gains or losses of the ETF it is designed to track and is not guaranteed to produce positive returns for the client's account.
  - Clients need to understand that an inverse/leveraged ETF may result in higher costs to the client than a traditional ETF.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Weathervane and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
  - The account custodian or clearing firm can force the sale of securities or other assets in your account.
  - The account custodian or clearing firm can sell your securities or other assets without contacting you.
  - You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
  - The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
  - The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
  - You are not entitled to an extension of time on a margin call.
- Risks of Private Placements including private funds sponsored and managed by Weathervane - A security exempt from registering with the U.S. Securities and Exchange Commission and state securities regulator is often referred to as a private placement or unregistered offering.
  - Only an "accredited" investor should invest in a private placement offering. To qualify as an "accredited" investor, the investor must (a) have a net worth (not including primary residence) of at least \$1 million, or (b) have an income exceeding \$200,000 in each of the 2 most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year.

- Private placement offerings often are speculative, high risk and illiquid investments. An investor can lose his or her entire investment in a private placement offering.
- Private placement offerings are not subject to the same laws and regulations, which are designed to protect investors, as registered securities offerings.
- Private placement offerings have not been reviewed by a regulator to make sure risks associated with the risks of the private placement investment have been adequately disclosed to prospective investors.
- Private placement offerings often project higher rates of return, but this is typically because the risks of the underlying private placement investment are also higher.
- Private placement offerings are generally illiquid, meaning there are limited opportunities to resell the underlying security of the private placement. Therefore, an investor may be forced to hold the private placement security indefinitely.
- Investors in a private placement offering are usually provided with less disclosure information than they would receive in a public securities offering. Consequently, investors know much less about the private placement investment and the people behind it.
- Private placement offerings have been used by fraudsters in the past, and consequently private placement offerings are one of the most frequent sources of enforcement cases conducted by state securities regulators. It may be very difficult or impossible for an investor in a private placement offering to recover the money invested from the sponsor of the private placement offering if such offering turns out to be fraudulent.
- Before investing in a private placement offering, an investor should carefully read and fully understand the subscription agreement and the offering memorandum/private placement memorandum.
- For additional details about private placement offerings and red flags associated with such offerings, please visit [http://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_privateplacements.html#.VDane410yUk](http://www.sec.gov/oiea/investor-alerts-bulletins/ib_privateplacements.html#.VDane410yUk)

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## ITEM 9 - DISCIPLINARY INFORMATION

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Weathervane is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Weathervane or the integrity of Weathervane's management. On December 7, 2020, Weathervane's financial industry affiliate, PHX Financial, Inc., sent a Letter of Acceptance, Waiver, and Consent (AWC) to the FINRA Department of Enforcement regarding settlement of allegations that PHX Financial, Inc. engaged in excessive and unauthorized trading and charged excessive commissions. As a result, PHX Financial, Inc. was censured, fined, and ordered to pay interest and restitution to two customers as well as review its supervisory systems and Written Supervisory Procedures (WSPs) regarding supervision of excessive trading. No management person of Weathervane

was named or the subject of the AWC and Weathervane does not believe that this matter is material to a client's evaluation of Weathervane or the integrity of Weathervane's management.

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## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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Weathervane has affiliated investment advisers, JJFT Management, LLC, JJC Asset Management, LLC and KAJJ Management, LLC with whom it has an "umbrella" registration with the U.S. Securities and Exchange Commission. An umbrella registration can be used by two or more investment adviser firms to file under a single investment adviser registration. Weathervane is the "filing" adviser that has filed a single umbrella registration for itself along with JJFT Management, LLC, JJC Asset Management, LLC and KAJJ Management, LLC as the "relying" advisers. To satisfy the requirements of Form ADV while using umbrella registration the filing adviser must sign, file, and update as required, a single Form ADV (Parts 1 and 2) that relates to, and includes all information concerning, the filing adviser and each relying adviser (e.g., disciplinary information and ownership information), and must include this same information in any other reports or filings it must make under the Advisers Act or the rules thereunder (e.g., Form PF).

An umbrella registration is available to advisers who advise only private funds and certain separately managed account clients that are qualified clients and collectively conduct a single advisory business. Absent other facts suggesting that the filing adviser and relying adviser(s) conduct different businesses, umbrella registration is available under the following circumstances:

- i. The filing adviser and each relying adviser advise only private funds and clients in separately managed accounts that are qualified clients and are otherwise eligible to invest in the private funds advised by the filing adviser or a relying adviser and whose accounts pursue investment objectives and strategies that are substantially similar or otherwise related to those private funds.
- ii. The filing adviser has its principal office and place of business in the United States and, therefore, all of the substantive provisions of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules thereunder apply to the filing adviser's and each relying adviser's dealings with each of its clients, regardless of whether any client of the filing adviser or relying adviser providing the advice is a United States person.
- iii. Each relying adviser, its employees and the persons acting on its behalf are subject to the filing adviser's supervision and control and, therefore, each relying adviser, its employees and the persons acting on its behalf are "persons associated with" the filing adviser (as defined in section 202(a)(17) of the Advisers Act).
- iv. The advisory activities of each relying adviser are subject to the Advisers Act and the rules thereunder, and each relying adviser is subject to examination by the SEC.
- v. The filing adviser and each relying adviser operate under a single code of ethics adopted in accordance with SEC rule 204A-1 and a single set of written policies and procedures adopted and implemented in accordance with SEC rule 206(4)-7 and administered by a single chief compliance officer in accordance with that rule.

Weathervane's related legal entities/companies (JJFT Management, LLC JJC Asset Management LLC and KAJJ Management, LLC) serve as general partners to the Private Funds (the "General Partners") in addition

to serving as investment advisers to the same Private Funds. Thus, we are not independent from the Private Funds we manage and have a direct and beneficial interest in them. Further, some of our advisory personnel have personally invested in Private Funds under our management.

As related entities, the Private Funds do not negotiate their terms on an arm's length basis with Weathervane or its affiliated relying advisers; JJFT Management, LLC, JJC Management, LLC and KAJJ Management, LLC. Weathervane fully discloses its fees to investors prior to their purchase of interests in the Private Funds.

**PHX Financial, Inc. (d/b/a Phoenix Financial Services).** PHX Financial Inc., a registered broker-dealer, FINRA member, and financial industry affiliate of Weathervane, acts as a non-exclusive placement agent (the "Placement Agent") to the Private Funds. The Placement Agent and the Manager have entered into a written agreement whereby the Placement Agent has undertaken to refer and/or contact those persons and organizations whom it believes may wish to invest in a Private Fund, and to recommend to such persons that they entertain a proposal for such Private Fund investment by Weathervane. In return, Weathervane will share up to 40% of its Performance Fees with the Placement Agent. The Manager Executive of Weathervane is the chief executive officer and a registered representative of the Placement Agent.

The relationships between the Manager Executive, Weathervane, a Private Fund and the Placement Agent could create a conflict of interest. Weathervane and related parties seek to resolve these conflicts in as equitable a manner as possible under the prevailing facts and circumstances and the relationship between Weathervane and the Placement Agent is disclosed to prospective Members of a Private Fund. Nevertheless, there is no assurance that any such conflicts will be resolved in a manner advantageous to a Private Fund.

**Other Activities of Manager Executive and Weathervane Personnel.** The Manager Executive and other personnel of Weathervane engage in other activities and allocate their time, services and functions between various existing enterprises and future enterprises.

Personal trading by Manager Executive and other personnel of Weathervane will be subject to Weathervane's Code of Ethics and personal trading policy, which seeks to mitigate potential conflicts of interest related thereto. See "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," below.

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## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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**Code of Ethics.** In connection with its registration, Weathervane will implement a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics will include provisions relating to the standards of business conduct required of Weathervane employees, personal securities trading procedures, and reporting of violations of the Code of Ethics, among other things. All supervised persons will be required to acknowledge the terms of the Code of Ethics annually, or as amended. A copy of Weathervane's Code of Ethics may be obtained from its Chief Compliance Officer.

**Personal Trading.** Weathervane's personnel, including the Manager Executive, will be required to follow Weathervane's Code of Ethics in connection with their personal trading activities. Subject to satisfying this policy and applicable laws, officers, directors and employees of Weathervane and its affiliates may be

permitted to trade for their own accounts and participate in transactions involving securities that are purchased for clients. The Code of Ethics will be designed to assure that the personal transactions, activities and interests of the employees of Weathervane will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics will require pre-clearance of certain transactions (including investments in private placements) for the personal securities accounts of Weathervane's "access persons" by the Chief Compliance Officer or his designee, and will require that the interests of clients be placed ahead of those of Weathervane employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest, directly or indirectly, in the same securities as clients, there is a possibility that employees might benefit from market activity by a Private Fund in a security held by an employee. Employee trading will be regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between Weathervane and its clients.

**Participation or Interest in Client Transactions.** As a matter of policy, Weathervane does not cause one client to effect transactions in which such client purchases securities or other instruments from, or sells securities or other instruments to, another client (i.e., cross trades) or to Weathervane or its principals or affiliates (i.e., principal trades), or in which Weathervane or one of its affiliates acts as broker for both the client and the other party to the transaction (i.e., agency cross transactions).

**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest.** We will recommend the Private Funds sponsored and managed by Weathervane to our Investment Management Services clients. We have a material financial interest when recommending a Private Fund. We address this conflict by comparing Private Funds against other registered or non-registered pooled investment vehicles and we will recommend other pooled investment vehicles when more appropriate for the client. We will only recommend that a client invest a portion of client's portfolio in the Private Funds if we believe that it is in client's best interest. (Under no circumstances will Weathervane exercise any investment discretion with respect to whether to invest a client in Private Funds we manage.)

Clients are not obligated to invest in the Private Funds we manage. The client will be solely responsible for making any decision in whether to invest in Private Funds, and the client is under no obligation to invest in Weathervane Private Funds.

Because our recommendation that clients invest in Private Funds we manage is an inherent conflict of interest that cannot be completely overcome, we strongly encourage all clients consult with legal counsel, an accountant, a third-party investment adviser not affiliated with Weathervane, or any other financial professional of the client's choosing who is not affiliated with Weathervane for a "second opinion" before investing in Private Funds managed by Weathervane.

If clients choose to invest in one or more Private Funds, we will not charge "double-fees" meaning we will only charge one fee against the assets invested in the Private Fund (in the form of the 2.00% management fee we charge the Private Fund as investment adviser to the fund and the performance allocation fee retained) and not also charge an additional Investment Management Services fee to the client on the portion of the client's assets invested in the Private Fund. In an effort to mitigate our conflicts of interest, we have established policies and procedures to limit the amount of a client's portfolio invested in Private Fund.

We permit our owners and employees to invest in Private Funds managed by Weathervane. Employees seeking to invest in any private offering, including Private Funds managed by Weathervane, must first be approved, in writing, by our Chief Compliance Officer prior to any purchase or redemption in the private security. Clients are given first right of opportunity over our employees for approval of investing in a private security or redeeming from the private security.

Private investments like Private Funds managed by Weathervane are often illiquid which means that the investments can be difficult to trade and consequently limits an investor's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments will not register pursuant to the Securities Act of 1933, and therefore investors must complete a subscription agreement showing the investor is an "accredited" investor (as defined by applicable law, rules and regulations) and acknowledge that he or she has read and understands the confidential private placement memorandum and is aware of the various risk factors associated with such an investment.

Please refer to Item 4, Item 5, Item 8 and Item 10 of this Disclosure Brochure for more information.

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## ITEM 12 - BROKERAGE PRACTICES

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**Private Fund Management – Brokerage Practices.** In the event that Weathervane purchases or sells publicly traded securities on behalf of its Private Funds, it may use the services of a broker-dealer or prime broker, and may also use broker-dealers in identifying and effecting a Private Fund's private investment transactions. In such event, Weathervane (including, for purposes of this section, any affiliate thereof) will select the broker-dealers used to execute transactions on behalf of such Private Fund.

Where applicable, Weathervane generally will have discretion to select different brokers to be used for each transaction for its Private Funds and to negotiate the rates and commissions its Private Funds will pay. When engaging the services of brokers, Weathervane may, subject to best execution, take into consideration a variety of factors, including, to the extent applicable, the ability to achieve prompt and reliable execution of transactions, competitive pricing, transaction costs, operational efficiency with which transactions are effected, access to deal flow and precedent transactions, and the financial stability and reputation of the particular broker, as well as other factors that Weathervane deems appropriate to consider under the circumstances. Brokers may provide other services that are beneficial to Weathervane and its affiliates, but that are not necessarily beneficial to the Private Funds (or which may be beneficial to certain Private Funds but not others), including capital introductions, other marketing assistance, client and personnel referrals, consulting services, and research-related services. These other services and items may influence Weathervane's selection of brokers.

**Private Fund - Research and Other Soft Dollar Benefits.** Weathervane may receive proprietary research from broker-dealers used to effect securities transactions. To the best of Weathervane's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. Weathervane will not separately compensate such broker-dealers for the research and does not pay higher transaction costs to receive such services.

**Private Fund - Aggregation and Allocation of Client Orders/Investments.** Since the Portfolio Securities investments in which Weathervane seeks to invest for the Private Funds are not shared between multiple Private Funds, Weathervane does not currently anticipate making allocations of investments among multiple Private Funds, but may do so in the future (in which event Weathervane will adopt policies and procedures for fairly and equitably allocating such shared investment opportunities among its eligible clients).

**Investment Management Services – Brokerage Practices.** When Weathervane is responsible for the implementation of any investment recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions



considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back-office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

**Investment Management - Brokerage Recommendation.** For our Investment Management Services, we require clients to establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc (“Schwab”), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although Weathervane requires clients to establish accounts at Schwab, it is the client’s ultimate and final decision to custody assets with Schwab. Weathervane is independently owned and operated and not affiliated with Schwab. Weathervane may recommend additional unaffiliated broker-dealers to affect fixed income transactions.

Schwab provides Weathervane with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor’s clients’ assets are maintained at Schwab Institutional. These services are not contingent upon Weathervane committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab’s brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

Schwab Institutional also makes available to Weathervane other products and/or services that benefit Weathervane but may not directly benefit clients’ accounts. Many of these products and services may be used to service all or some substantial number of Weathervane’s accounts, including accounts not maintained at Schwab.

Schwab’s products and services that assist Weathervane in managing and administering clients’ accounts include software and other technology that (i) provides 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 Weathervane’s fees from some of its accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help Weathervane manage and further develop its 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 Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to Weathervane. Schwab Institutional may also provide other benefits such

as educational events or occasional business entertainment of Weathervane personnel. While as a fiduciary, Weathervane endeavors to act in its clients' best interests, Weathervane's recommendation that clients maintain their assets in accounts at Schwab may take into account availability of some of the foregoing products and services and other arrangements not solely on the nature of cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest.

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Weathervane may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Weathervane has decided to require our clients to use broker/dealers and other qualified custodians determined by Weathervane.

**Investment Management - Block Trading Policy.** We will generally always purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Weathervane believes such action may prove advantageous to clients. When we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Weathervane uses the average price allocation method for transaction allocation.

Under this procedure Weathervane will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Weathervane or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

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## ITEM 13 - REVIEW OF ACCOUNTS

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**Account Reviews.** The investments made by Weathervane on behalf of its Private Funds are generally illiquid and long-term in nature. These investments are regularly reviewed by Weathervane's Manager Executive, Kevin Chen, to evaluate performance and to monitor for any changes in the assumptions and objectives underlying Weathervane's investment decision. Investments may be subject to more frequent or detailed reviews when deemed appropriate due to developments with Portfolio Securities or in response to broader market circumstances.

Underlying investments held in accounts managed through our Investment Management Services are reviewed on an on-going basis but no less frequently than weekly. Client accounts are reviewed on at least a quarterly basis. Wayne Kaufman, Portfolio Manager and Investment Adviser Representative, along with Kevin Chen, Manager Executive, perform account reviews and are responsible for investment decisions in

managed accounts. The calendar is the main triggering factor for reviews, although reviews may also be conducted because of your specific request, a change in your circumstances or because of market issues. Reviews may also include a more detailed review of holdings in the event of any changes in any investments held. We recommend that you meet with our representatives at least annually for a complete review and update of your financial situation relative to your investment goals.

**Private Fund Reporting.** Weathervane will furnish audited financial statements annually to all Members in a Private Fund. While the foregoing describes Weathervane's general review and reporting expectations with respect to the Private Funds, Weathervane may agree to different review and reporting schedules with the Members in particular Private Funds, in Weathervane's sole discretion.

Investment Management Services clients will receive account statements from Charles Schwab at least quarterly. We do not offer or provide regular, written performance reports; however, we do provide periodic client letters and market commentary.

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## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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**Client Referrals.** Weathervane does not currently compensate any third parties for client referrals. However, Weathervane has engaged the Placement Agent on a non-exclusive basis as discussed in *Other Financial Industry Activities and Affiliations* above.

**Receipt of Compensation.** Weathervane does not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to a client. See "*Fees and Compensation*" above.

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## ITEM 15 - CUSTODY

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**Private Fund Management Services.** Weathervane is deemed to have "custody" of the funds and securities of the Private Funds, within the meaning of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). To the extent a Private Fund holds other funds or securities (not otherwise exempt from such requirement) over which Weathervane is deemed to have "custody" under the Custody Rule, such funds and securities will be maintained at one or more "qualified custodians." A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC-registered broker-dealer, or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit the Private Funds on an annual basis, and copies of the audited financial statements will be sent to the Members in the Private Fund, as described above in "*Review of Accounts.*"

**Investment Management Services.** Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Weathervane is deemed to have custody of client funds and securities whenever Weathervane is given the authority to have fees deducted directly from client accounts.

For accounts in which Weathervane is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian (i.e. Charles Schwab) in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained.

Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Weathervane. When clients have questions about their account statements, they should contact Weathervane or the qualified custodian preparing the statement.

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## **ITEM 16 - INVESTMENT DISCRETION**

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Private Funds will make investments in the Portfolio Securities of identified underlying Issuers which will generally be identified to prospective Private Fund Members at the time of an investment by Members in the Private Fund. However, depending on the terms of the applicable Private Fund, Weathervane may be granted a degree of investment discretion with respect to subsequent decisions related to such investments as well as other investments. Any such investment authority, if applicable, generally will be granted to Weathervane (and/or its affiliates) at the outset of the advisory relationship through the governing documents of the applicable Private Fund and will be exercised in a manner consistent with the investment objectives and governing documents of the Private Fund, including any applicable consent or notice rights.

When providing Investment Management Services, Weathervane maintains trading authorization over your Account and will provide management services on a discretionary basis. Discretionary authority will be provided by each client, in writing, through the client's Weathervane agreement for services. Discretion allows us to have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Weathervane so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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## **ITEM 17 - VOTING CLIENT SECURITIES**

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Weathervane (and/or its affiliates) generally will control any voting or consent rights associated with the investments made on behalf of the Private Funds. In the event that Weathervane receives a proxy with respect to any such securities, Weathervane will implement policies and procedures which it believes are reasonably designed to (i) ensure that it votes proxies in the interests of the Private Fund and (ii) recognize and resolve any material conflicts of interest that may arise in the course of such voting. If Weathervane determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, Weathervane will take action in accordance with the governing documents of the applicable Private Fund, or as otherwise

determined by Weathervane to be in the best interest of the relevant Private Fund in voting such proxy. Private Fund investors may obtain a copy of Weathervane's complete proxy voting policies and procedures and information about how Weathervane voted any proxies on their behalf by contacting Weathervane's Chief Compliance Officer.

Weathervane does not vote proxies on behalf of Investment Management Services clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your managed Account. However, you can contact us if you have questions or would like to discuss one or more particular voting options.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

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#### **ITEM 18 - FINANCIAL INFORMATION**

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This Item 18 is not applicable to this brochure. Weathervane does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Weathervane has not been the subject of a bankruptcy petition at any time.