

Item 1 – Cover Page

Arcataur Capital Management LLC

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This brochure provides information about the qualifications and business practices of Arcataur Capital Management LLC [“Arcataur”]. If you have any questions about the contents of this brochure, please contact us at 414-225-8200 and/or ismetek@arcataur.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Arcataur Capital Management is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information to help you determine whether to hire or retain an adviser.

Additional information about Arcataur also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Since the last annual update to our brochure dated March 9, 2017, there have been no material changes.

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Item 4 – Advisory Business

Arcataur Capital Management LLC (“Arcataur”) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Prior to becoming a registered investment adviser with the SEC in June 2015, Arcataur was a state registered investment adviser in Wisconsin and Illinois. Registration does not imply a certain level of skill or training.

Arcataur is wholly owned by Ignatius L. Smetek and began operations on February 1, 2003.

Arcataur provides continuous investment management and advice to its clients, based on each client’s individual needs and objectives. Clients’ needs and objectives are determined through ongoing communications and completion of a Fact Finder, a questionnaire which assesses client risk tolerance and investment horizon. Client assets are primarily invested in equity and debt securities. Refer to Item 8 for additional detail regarding the types of securities Arcataur purchases for clients. A client may impose restrictions on investing in certain securities or types of securities.

Assets under management at 12/31/17 were \$160,259,546. Arcataur manages all assets on a discretionary basis.

Item 5 – Fees and Compensation

General Fee Information

The specific manner in which investment management fees are charged by Arcataur is established in a client’s written agreement with Arcataur. Arcataur calculates its investment management fees monthly based on the combined value of all cash and securities under Arcataur’s management at the end of the month. Clients are billed in arrears each calendar quarter and may not pay investment management fees in advance. Clients may elect to be billed directly for investment management fees or authorize Arcataur to directly debit investment management fees from client accounts. Investment management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated investment management fee. Upon termination of any account, any earned, unpaid investment management fees will be due and payable.

Arcataur’s investment management fees are the only fees charged by Arcataur to a client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as brokerage commissions, transaction fees, custodial fees, wire transfer and electronic funds transfer fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees and other expenses, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to Arcataur’s investment management fees, and Arcataur shall not receive any portion of these commissions, fees, and costs. Neither Arcataur nor any

of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 12 further describes the factors that Arcataur considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Unless a client has received this disclosure brochure at least 48 hours prior to signing the investment management agreement, the investment management agreement may be terminated by the client within five (5) business days of signing the agreement without incurring any advisory fees.

Fee Schedule

The following schedule applies to all accounts:

<u>Type of Account</u>	<u>Asset Value</u>	<u>Annual Rate</u>
Large Cap Equity Portfolios	under \$1 million	.85%
	\$1 million to \$5 million	.80%
	\$5 million to \$ 10 million	.75%
	Over \$10 million	.70%
Investment Grade Fixed Income Portfolios	under \$1 million	.60%
	\$1 million to \$5 million	.55%
	\$5 million to \$10 million	.50%
	Over \$10 million	.45%
Managed Balance Portfolios <i>Consisting of: direct equities, ETFs and direct fixed income</i>	under \$1 million	.80%
	\$1 million to \$5 million	.75%
	\$5 million to \$10 million	.70%
	Over \$10 million	.65%
Managed Balance Portfolios <i>Consisting of: ETFs and direct fixed income only</i>	under \$3 million	.60%
	\$3 million to \$5 million	.55%
	\$5 million to \$10 million	.50%
	Over \$10 million	.45%

All fees are subject to negotiation.

Account Valuation

Arcataur uses account market values to calculate assets under management, client investment management fees and investment performance where applicable.

In all cases, Arcataur uses pricing information provided by its clients' custodians (currently, one custodian) to value the client portfolios. The custodian's price is compared to the price

provided by FactSet (an independent pricing service) and variances greater than 5% are investigated.

If the custodian is unable to provide a price, Arcataur will attempt to obtain a price from FactSet, Yahoo Finance, Morningstar, or other outside sources. If a price is not available from any of these sources, the security will be fair valued in accordance with the methodology outlined in Arcataur's pricing and valuation procedures.

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

Arcataur does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Arcataur provides portfolio management services to individuals, trusts, corporations and other commercial entities, pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, religious organizations, foundations, endowments, and municipalities.

Arcataur generally prefers accounts with at least \$500,000 in equity assets if a direct equity solution is desired. This asset level would provide an opportunity to create appropriate diversification and minimize the impact of normal trading cost related to a direct equity portfolio solution. However, based upon a client's needs and the use of exchange traded funds ("ETFs") to achieve appropriate diversification, Arcataur is comfortable assisting clients with fewer assets. Utilizing equity index ETFs solely for the stock exposure allows Arcataur to minimize the trading cost issues for lower dollar value accounts, while creating the diversification required to be fully diversified. The important consideration is achieving proper portfolio construction that meets the investment goals of the client. Arcataur currently assists clients with assets less than \$100,000 in this fashion.

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

Arcataur's methods of security analysis include economic analysis, fundamental analysis and technical analysis. In its economic analysis, Arcataur utilizes internal and external research on the economy and certain cyclical factors. In its fundamental analysis, Arcataur relies on both an industry analysis and an individual company analysis. Through a careful study of fundamental factors such as earnings, asset values, financial prospects, quality of management, outlook for the industry and the economy, Arcataur seeks to evaluate the earnings potential of an investment and its intrinsic value, and looks to determine whether the intrinsic value is above or below the actual price of the security. Arcataur also utilizes Wall Street research services for fundamental analysis. Arcataur considers various technical and monetary analyses to be valuable tools in the decision-making process and in determining timing of purchases and sales of securities. In its technical analysis, Arcataur subscribes to technical and charting services and uses information from these services.

Arcataur's principal sources of information include the public filings of issuers with governmental authorities, industry data, corporate rating services, financial newspapers and magazines, publicly available company-prepared information (annual reports, prospectuses

and press releases), charts and other statistical material furnished by outside vendors and trade publications, and research furnished by broker-dealers and other industry members. Other sources of information may include information from varied sources such as industry, trade association and academic publications, personal interviews with individuals knowledgeable about a company or industry, and material provided by government agencies, such as the U.S. Department of Commerce and Labor and the Federal Reserve Board. In addition, to supplement this information, Arcataur may attend company-sponsored meetings and road show presentations from time to time.

The **Arcataur Large Capitalization/Diversified Equity Portfolio** offers investors a separately managed account consisting of high-quality, blue chip stocks and broad-based market indices that track the domestic large capitalization stock indices through exchange traded funds (ETFs). Our approach would be described as top-down, which combines fundamental analysis of macroeconomic statistics and specific data for most major public companies with subjective stock evaluation to achieve consistent returns for the level of risk taken. Appropriate diversification is also considered when constructing client portfolios.

Arcataur invests in high-quality companies that have sustainable growth, while taking into consideration specific risk that each investment introduces to the portfolio. Most companies will have market capitalization in excess of \$2 billion. Research fundamentals are emphasized and consider how each investment will fit with the current macro assumption utilized by our portfolio managers. Financial and operating quality is emphasized to provide a greater margin of safety and stability to our portfolios. Valuation is always considered to avoid overpaying for growth stocks. Technical analysis is utilized for timing decisions and taking advantage of trading opportunities. Our strategy focuses on maximizing expected return through constructing diverse portfolios covering most major industry sectors.

For clients where a direct common stock portfolio would not be appropriate (dollar level/trading cost limitations, diversification limitations, and/or liquidity requirements), or where a portfolio requires additional diversification, the Diversified Equity Portfolio, comprised primarily of broad-based equity index ETFs, would be used to achieve appropriate investment structure.

The **Arcataur Investment Grade Fixed Income Portfolio** offers investors a separately managed asset account focusing on Treasuries, Agencies, Corporates, Certificates of Deposit, Preferred Stocks, and Municipals (where applicable) with an average portfolio credit rating of A. These direct investments are augmented with the utilization of broad index-type bond ETFs to enhance liquidity and diversification. Our fixed income strategy is to actively manage portfolios to generate conservative risk-adjusted total return. Our focus is to preserve capital while generating current income.

The **Arcataur Managed Balance Portfolio** offers investors a separately managed account which seeks to preserve capital during difficult market periods while allowing growth opportunity in good market conditions. The Arcataur Managed Balance Portfolio will hold 45% to 75% in equities depending upon market conditions. The objective is to seek growth over time and balance the stock market volatility with current income. This investment discipline provides flexibility and customization to meet unique client needs, return objectives and risk tolerances.

Since there are risks in all investments in securities, Arcataur cannot guarantee that it will achieve your investment goals or that the performance of your investments will be positive over any period of time. The value of your investments may change and you may lose money. Investing in securities involves risk of loss that clients should be prepared to bear.

For the Arcataur Large Capitalization Equity/Diversified Equity Portfolio the principal risks of investing are:

Market Risk – Market risk involves the possibility that the value of your investments will fluctuate as the stock and bond markets fluctuate over short or longer-term periods. Common stock prices tend to be more volatile than other investment choices.

Portfolio-Specific Risk – From time to time, the value of an individual company may decline due to a particular set of circumstances affecting that company, its industry or certain companies within the industry, while having little or no impact on other similar companies within the industry.

For the Arcataur Investment Grade Fixed Income Portfolio, the principal risks of investing are:

Credit Risk – Credit risk involves the possibility that the issuers of securities may fail to make timely interest and principal payments.

Interest Rate Risk – Interest rate risk refers to the risk that the prices of your investments, particularly fixed income investments, are likely to fall if interest rates rise. This is because the prices of debt securities typically move in the opposite direction of interest rates. Debt securities with longer maturities generally are affected to a greater degree than debt securities with shorter maturities as interest rates change. In addition, the income you receive from fixed income investments is based in part on interest rates which can vary widely over the short and long term. If interest rates decline, your income from new fixed income investments may be lower as well.

Liquidity Risk – Changes in price resulting from the need to convert the investment to cash in a reasonable period of time.

The risks for the Arcataur Managed Balance Portfolio are similar to the Arcataur Large Capitalization/Diversified Equity Portfolio and the Arcataur Investment Grade Fixed Income Portfolio. However, the process of blending stock and bond investments has historically offered a counter-balance to the stated risks of each.

Item 9 – Disciplinary Information

Arcataur has no disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Arcataur does not engage in any other financial industry activities and does not have any affiliates.

Item 11 – Code of Ethics

Arcataur maintains a Code of Ethics and Personal Trading Policy (the “Code”), which applies to all employees of the firm. As a fiduciary, Arcataur has a duty of utmost good faith to act solely in the best interests of each of its clients. Arcataur strives to foster a healthy culture of compliance within all aspects of our business. Further, Arcataur expects all employees to avoid potential conflicts of interest or even the appearance of such conflicts.

The Code outlines the standards of conduct expected of employees and includes limitations on personal trading, giving and accepting gifts, serving as a director or trustee for an external organization, and engaging in outside business activities. In addition, employees are prohibited from using nonpublic inside information to trade in personal accounts or on behalf of Arcataur’s clients.

The Code limits the circumstances under which employees can engage in personal securities transactions. The Code requires all employees to obtain pre-approval of all personal transactions in securities not otherwise exempt under the Code. Requests for trading authority will be denied when, among other reasons, the proposed personal transaction might adversely affect any transaction under consideration for any client account. In addition to the pre-approval requirements, the Code prohibits all employees from investing in any initial or secondary public offerings by an issuer (excluding open-end investment companies). All personal securities transactions reports by employees are reviewed for compliance with the Code.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Arcataur’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Arcataur and its clients.

Arcataur’s Insider Trading Policy is designed to restrict Arcataur’s employees from trading on material non-public information or communicating material non-public information to others in violation of the law. The Policy is further designed to prevent the communication of material information that is confidential to other individuals or companies.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Arcataur’s obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Arcataur will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order.

All employees must acknowledge the terms of the Code annually, or as amended. A complete copy of the firm’s Code is available upon request.

Item 12 – Brokerage Practices

Selection of Brokers

Arcataur generally recommends custodians to its clients, and it is generally an affiliated broker-dealer of this custodian that will execute the clients' transactions. However, Arcataur may determine to trade with a broker-dealer not affiliated with the client's custodian. In determining which custodian/broker-dealer to recommend to its clients and which broker to utilize for client trades, Arcataur considers many factors, including; research services provided; knowledge of and dominance in specific markets, securities and industries; quality of execution; financial condition of the firm; commission structure; ability to locate liquidity; acceptable record keeping; administrative and settlement functions; and reputation and integrity.

Soft Dollars

Arcataur does not engage in pre-arranged, formal soft dollars arrangements. Arcataur, however, may receive the benefit of research, brokerage or other services provided by broker-dealers, such as proprietary software, invitations to conferences, meetings with company management or general research. While Arcataur may consider research services provided in allocating brokerage to a specific broker, as a practical matter Arcataur allocates brokerage on the basis of execution quality and other related services. Research received in connection with soft dollars will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all client accounts.

Trade Aggregation and Allocation

It is Arcataur's policy to trade as a firm – to trade in such a manner that its clients are not competing against one another in the marketplace. Generally, client trades shall be bunched in a single order (a "block") in an effort to obtain best execution at the best security price available.

Arcataur manages accounts for firm personnel including the firm's owner ("employee accounts") which are invested in Arcataur's investment strategies. These employee accounts may be included in a block order along with client trades when Arcataur determines: 1) no client is harmed by the employee accounts participating in the block order; 2) the employee accounts are not unfairly advantaged by trading along with client accounts; and 3) clients received the same or better price as the employees on the security transactions.

If a block order is filled (full or partial fill) at several prices through multiple trades, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. On the rare occasion where the firm receives a partial fill, the partial fill shall be allocated to accounts in an effort to minimize trading costs in client accounts.

Trade Errors

It is Arcataur's policy for clients to be made whole following a trade error. If a trade error results in a loss, the client will be reimbursed for the loss. If the trade error results in a gain, the client will keep the gain, only if the client account can support the trade error transaction.

Item 13 – Review of Accounts

Arcataur reviews client accounts regularly for performance, sector and asset allocation, adherence to the firm's investment policies and strategies and specific client investment guidelines, objectives and restrictions.

All clients receive a quarterly reporting package which includes a list with a complete description of all of the assets held in their account(s), cost and current market values of the assets, a list of security purchases and sales, realized gains and losses for taxable accounts, advisory fees charged and a performance summary.

Item 14 – Client Referrals and Other Compensation

Arcataur has no client referral or other compensation relationships.

Item 15 – Custody

Arcataur does not take custody of client funds or securities, except when a client has granted Arcataur written authority to deduct advisory fees directly from his/her account or transfer funds to another person's account. As of 12/31/17 all client funds and securities managed by Arcataur are held in accounts maintained at Charles Schwab & Co. Charles Schwab & Co. is a U.S. qualified custodian not affiliated with Arcataur which sends account statements to clients at least quarterly. Clients receive a quarterly statement from Arcataur and Arcataur recommends the client carefully compare the information in the report to the information in Charles Schwab's statements.

Item 16 – Investment Discretion

Arcataur manages each client account on a discretionary basis subject to the signed investment management agreement between Arcataur and the client.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, Arcataur does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from their custodians or a transfer agent.

Item 18 – Financial Information

Arcataur has no financial conditions which would impair our ability to meet our contractual commitments to our clients.

Other Information

Arcataur does not participate in legal proceedings, including class actions, on behalf of its clients.

Ignatius Smetek, Arcataur's President and Chief Investment Officer also serves as CCO, which may present a conflict of interest in performing various roles. In addition, several Arcataur clients are friends or relatives of Arcataur employees. Arcataur maintains policies, procedures and controls to routinely monitor these conflicts, and does not believe it results in unfair treatment of its clients.

Privacy Policy Notice

Our Promise to You

As a client of Arcataur, you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

Information Provided by Clients

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and Social Security number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

How We Manage and Protect Your Personal Information

We do not sell information about current or former clients to third parties, nor is it our practice to disclose such information to third parties unless requested or permitted to do so by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. We may, however, share information with outside companies that perform administrative services for us. However, our arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards to protect your personal information. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

Client Notifications

If we change our Privacy Policy with regard to disclosing your confidential information, we are required by law to notify you and provide you a revised notice. Please do not hesitate to contact us with questions about this notice.