

**Cover Page - Item 1**

**Ailsa Capital, Inc.**

272 E. 12200 South, Suite 100

Draper, Utah 84020

CRD No. 136463

(801) 501-0302

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

**Form ADV Part 2A Disclosure Brochure**

**March 30, 2020 DRAFT**

Ailsa Capital, Inc. is a registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Ailsa Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (801) 501-0302. 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 Ailsa Capital, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our firm's unique CRD number is 136463.

### Material Changes - Item 2

The purpose of this page is to inform you of any material changes since the previous version of this disclosure brochure. Since our last annual updating amendment filing with regulators on March 27, 2019, we have made the following changes:

- On March 30, 2020, we submitted our required annual updating amendment filing for fiscal year 2019. We updated Item 4 of our disclosure brochure to reflect that as of March 2, 2020, we had discretionary assets under management of \$118,778,038 and no non-discretionary assets under management.
- Additionally, due to an increase in regulatory assets under management, we have applied for registration as a federally registered investment adviser. This change does not affect the way we conduct business or the services we provide to you. It simply means that we will now be subject to regular examination by the United States Securities and Exchange Commission (SEC).

If you have questions about these updates or if you would like a current copy of our brochure at any time free of charge, please contact our Compliance Department at 801-501-0302.

**Table of Contents - Item 3**

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

#### **Advisory Business - Item 4**

Ailsa Capital, Inc. (hereinafter “Ailsa Capital” or the “firm”) is a registered investment adviser based in Draper, Utah. We are a corporation, organized under the laws of Utah. We have been providing investment advisory services since 2005. The firm is wholly owned by John A. Martindale.

You may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, an employee, and all individuals providing investment advice on behalf of our firm. Where required, such persons are properly registered as investment adviser representatives.

Ailsa Capital provides consulting services to Clients for asset and wealth management, accumulation, risk and insurance protection needs, and mortgage or debt needs, among other topics. Currently, we offer the following investment advisory services, personalized for each individual Client:

- **Financial Planning and Consulting Services**
- **Asset Management Services**
- **Recommendation of Third-Party Managers**

#### **Financial Planning and Consulting Services**

Ailsa Capital offers various financial planning and consulting services, which assist Clients in the management of their financial resources. Financial planning and consulting services are based upon an analysis of the Client’s individual needs beginning with one or more information gathering consultations. Once the firm has collected and analyzed all documentation gathered during these consultations, Ailsa Capital provides the Client with a financial plan designed to achieve the Client’s financial goals and objectives. Ailsa Capital then assists Clients in developing a strategy for the successful management of income, assets, and liabilities. In general, financial planning services may include any of the following or other specific needs as agreed upon and outlined in the services agreement between the Client and Ailsa Capital:

- Updating your Net Worth Statement providing, from which to measure future results.
- Preparing and revising income tax estimates.
- Preparing cash flow, investment, retirement, and estate tax planning estimates or other financial analysis important to your situation.
- Assisting you in implementing agreed-upon strategies; monitoring your overall progress; and formulating new strategies to achieve your overall financial, retirement, college planning, tax, estate, charitable giving, family and risk (insurance) management objectives.
- Researching and obtaining premium estimates of life, disability, and long term care insurance coverage’s.
- A complete review of your current employer benefits package assisting you in selecting the best options for your situation.
- Review, analysis and recommendations on your company sponsored 401k or other qualified retirement plan allocation.
- A complete review of your current estate plan and discussion of advanced estate planning techniques in an effort to reduce your potential federal estate tax liability.
- Advising you on business, financial and economic matters where we are qualified to do so and that will add value to your financial life.

- Researching and recommending investments that are suitable to you, your objectives and personal family circumstances.
- Reviewing, analyzing, researching and advising you on your current investment accounts and investment proposals initiated by you or submitted to you by others and / or brokers.
- Monitoring your investments to see if they are meeting your current objectives; reviewing the performance of all investments.
- Researching, recommending, & establishing College Education Plans.
- Interviewing and advising you on other professional advisors such as attorneys, accountants, stock brokers, investment advisors, mortgage bankers, and insurance or real estate agents whose relationship may add value to your situation.
- Consulting and coordinating efforts, as necessary, with your other advisors including attorneys, accountants, Investment advisors, mortgage bankers, and insurance or real estate agents.
- Reviewing and advising you on investment real estate purchases and sales, to include consulting or advising you on 1031 exchanges.
- Meeting with you personally for advisory purposes, or accompanying you to meet with your other advisors, partners or family members to insure a coordinated effort to maintain and improve a coordinated implementation.
- Estate settlement issues that could involve assisting, advising, and/or calculating the gross asset value of one's estate in the event of their demise.
- The settlement of one's estate; coordinating the efforts of legal, tax, real estate, financial, and insurance professionals; including but not limited to process of changing title and beneficiary designations to financial assets, insurance policies, and retirement plans.

The recommendations and solutions are designed to achieve the Client's desired goals, subject to periodic evaluation of the financial plan, which may require revision to meet changing circumstances. Financial plans are based on your financial situation based on the information provided to the firm. We should be notified promptly of any change to your financial situation, goals, objectives, or needs.

Clients may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so by engaging us for investment advisory services or by using any advisory, brokerage, or insurance provider you choose.

*Important Note: Information related to tax and legal consequences that is provided as part of the financial planning and consulting services is for informative purposes only. Clients are instructed to contact their tax or legal advisers for personalized advice on those matters.*

#### **Asset Management Services**

Services offered through our fee-based asset management include personalized financial, retirement, estate, tax, and senior care planning, investment management, and strategic coordination with other professional advisors. We assist our Clients in preparing for the future by understanding their current circumstances, investment objectives and time horizon, personal goals, risk tolerance, and values. Based on the preceding criteria, we will assist our Clients in creating a suitable asset allocation method and establishing a personalized financial plan.

Advisory services are offered through individual accounts, joint accounts, IRA's, trusts, pension plans, and employee benefit plans. Ailsa Capital provides investment advice primarily in stocks, bonds, mutual funds, ETFs

and certificates of deposit. When appropriate to the needs of the Client, Ailsa Capital may also recommend trading options and various partnership interests including real estate. Because these investment strategies can involve a certain additional degree of risk, Ailsa Capital will recommend these strategies only when consistent with the Client's stated tolerance for risk and portfolio objectives. Every Client is able to impose reasonable Investment Restrictions and Guidelines on the management of their account. Clients can place restrictions against individual stocks, foreign based stocks, penny stocks, derivatives, treasury stocks, etc.

#### **Recommendation of Third-Party Managers**

The majority of our accounts are managed in-house by our analyst team. On occasion, we will choose a third-party manager to assist in the management of a specific account. These third-party separate account managers specialize in stock or bond accounts, and are utilized as part of an overall diversification strategy or when clients desire a focused account in one of these areas. All third-party managers recommended by our firm must either be registered as investment advisers or exempt from registration requirements. Factors that we take into consideration when making our recommendations include, but are not limited to, the following: the third-party manager's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. Management of the account is governed by a separate agreement between the Client and the separate account manager. Investment selection is made entirely by the third-party manager under these agreements. Ailsa Capital maintains oversight of the account, as well as open lines of communication between the separate account manager and Ailsa Capital staff.

#### **Wrap Fee Programs**

Ailsa Capital does not manage or sponsor any wrap fee programs. Our portfolio management fees are exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. However, we will not receive any portion of the commissions, fees, and costs. Please see Item 5 below for information regarding additional fees and Item 12 below for further information on brokerage practices, fees, and transaction costs.

#### **Assets Under Management**

As of March 2, 2020, we had discretionary assets under management of \$118,778,038 and no non-discretionary assets under management.

### **Fees and Compensation - Item 5**

#### **Financial Planning and Consulting Fees**

Clients may choose to have planning and consulting services provided on a specific topic or topics at an hourly fee. The hourly fee can be up to \$350 for Professional Advisor time. Services provided by other staff members are less as clearly set forth in the agreement for financial planning and consulting services. Total hours to completion is estimated by Ailsa Capital, but cannot be guaranteed, due to the varying complexity of each individual's financial situation. Clients are billed monthly in arrears based on the number of hours required by Ailsa staff.

Ailsa Capital also provides financial planning and consulting services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning and consulting services under this arrangement. There is a range in the amount of the fixed fee charged by Ailsa Capital for financial planning and consulting services. Fixed fees generally range between \$2,500 and \$7,500 depending upon the estimated amount of time to complete and

the complexity of the services to be provided. The amount of the fee will depend upon the complexity of the client's situation, financial condition and the actual services to be provided. The estimated fee will be quoted to the client and disclosed in the advisory agreement with Ailsa Capital. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. Typically, we require 50% of the estimated fixed fee at the time you execute an agreement with Ailsa Capital and the balance is due upon completion of the agreed upon services. However, at no time will Ailsa Capital require payment of more than \$ 1,200 in fees more than six months in advance. Upon completion and delivery of agreed upon services, the fixed fee is considered earned by Ailsa Capital and any unpaid amount is immediately due. The financial planning services terminate upon delivery of agreed upon services or upon either party providing the other party with written notice of termination. You may terminate the financial planning services within five (5) business days of entering into an agreement with Ailsa Capital without penalty or fees due. If you terminate the financial planning services after five (5) business days of entering into an agreement, you will be responsible for immediate payment of any financial planning services performed by Ailsa Capital prior to the receipt by Ailsa Capital of your notice. Any prepaid, unearned fees will be promptly returned to the Client.

#### **Fee-Based Asset Management**

Ailsa Capital's advisory fee is based on a set schedule (see the "Asset Management Fee Schedule" below). Ailsa does not negotiate advisory fees.

#### **Asset Management Fee Schedule:**

##### **Equity and Balanced Accounts (Including Options)**

<u>Annual Fee</u>	<u>Amount of Assets</u>
1.57%	On the first \$250,000
1.00%	On the next \$1,250,000
0.85%	On the next \$1,500,000
0.75%	On the next \$2,000,000
0.67%	On the next \$5,000,000
0.55%	On assets over \$10,000,000

##### **Fixed Income Only Accounts**

<u>Annual Fee</u>	<u>Amount of Assets</u>
0.75%	On the first \$500,000
0.65%	On the next \$1,000,000
0.55%	On the next \$3,500,000
0.45%	On the next \$5,000,000
0.35%	On assets over \$10,000,000

Ailsa Capital, Inc. is not an account custodian. Any and all investments will be placed with qualified custodial firms (Custodians) at the Client's discretion. The qualified custodians that Ailsa Capital currently uses include Charles Schwab, Dunham Trust and Equity Institutional. The custodial firms bill Client accounts directly for the advisory fee, and forward the proceeds to Ailsa Capital. The advisory fee is paid quarterly in advance, and will be pro-rated if the account is managed for only a portion of the quarter. Quarterly fees will be clearly stated on the custodial Client statement.

Clients may agree to have their management fees deducted directly from their accounts providing the following

conditions are met: (1) the Client provides written authorization permitting Ailsa Capital's fees to be paid directly from the Client's account held by the independent custodian; (2) the independent custodian agrees to send to the Client, at least quarterly, a statement indicating all amounts disbursed from the account; (3) Ailsa Capital discloses to Clients that it is the Client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated; and (4) Ailsa Capital sends a bill to the custodian indicating the amount of the fee to be paid by the custodian to Ailsa Capital.

Fees for management services shall be specifically agreed to in a separate written agreement between the Client and Ailsa Capital. Either party may terminate the Investment Management Agreement with Ailsa Capital at any time by mutual consent of the parties, or absent such consent, upon thirty (30) days written notice of termination by either party. However, upon termination of the Agreement, (1) any earned, unpaid fees will be due and payable, (2) Ailsa Capital will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Client's account and (3) any proprietary allocation may be liquidated at Ailsa Capital discretion. Clients may receive a refund of pre-paid, unearned fees by submitting a written request by U.S. Mail or via electronic mail. Refunds will be pro-rated for the number of days the account was closed during the quarter.

### **Third-Party Manager Fees**

#### **Third-Party Equity Accounts**

<u>Annual Fee</u>	<u>Amount of Assets</u>
1.50%	On all assets managed by Third-party managers

Third-party managed accounts are billed so that the annual fee will not exceed 1.5%. Typically, this fee is split between the third-party manager and Ailsa Capital. The third-party manager is compensated for their work in selecting and managing the investments. Ailsa Capital is compensated for performing all duties associated with servicing the client, overall planning for the client, and oversight of the account and third-party manager. Third-party fees are not negotiable.

Where client appoints Ailsa Capital as client's agent to buy and sell securities or other investments for client's account on a discretionary basis, client delegates to Ailsa Capital the authority to retain one or more third-party manager(s) to provide all, or a portion, of the discretionary management services with respect to client's account. Ailsa Capital shall have the discretion to hire and fire any third-party manager without client consent. To the extent client participates in a specific program offered by Ailsa Capital that is provided through a third-party manager or platform, the investments that are available to client through that program may be limited to certain types of securities. Client understands that client may not be able to impose investment restrictions with respect to the securities and other assets that are purchased for, or held in, the account by such third-party manager(s).

In some cases, you may be required to sign an agreement directly with the third-party manager(s). In which case, you may terminate your advisory relationship with the third-party manager(s) according to the terms of your agreement with the third-party manager(s). You should review each third-party manager's brochure for specific information on how you may terminate your advisory relationship with the third-party manager and how you may receive a refund, if applicable. You should contact the third-party manager directly for questions regarding your agreement with the third-party manager.



Since our compensation may differ depending upon our individual agreement with each third-party manager, we have an incentive to recommend one third-party manager over another third-party manager with whom we have less favorable compensation arrangements or other advisory programs offered by third-party managers with which we have no compensation arrangements. At all times Ailsa Capital and its Associated Persons uphold their fiduciary duty of fair dealing with Clients.

The third-party manager may offer wrapped or non-wrapped pricing options. Wrap pricing structures allow the Client to pay an all-inclusive fee for management, brokerage, clearance, custody, and administrative services. In a non-wrap pricing structure, the third-party manager's fee may be separate from the advisory fee charged by Ailsa Capital. Transaction costs may also be charged for the execution and clearance of advisory transactions directed by such third party investment advisory services. A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in: i) the third-party manager's Form ADV Part 2A; ii) the program wrap brochure (if applicable) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the third-party manager's account opening documents. A copy of all relevant disclosure documents of the third-party manager and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

#### **Other Fees and Expenses**

The account custodian may charge fees, which are in addition to and separate from the asset management or advisory/consulting fee(s) which are charged by Ailsa Capital. Custodians may charge accounts for various transaction costs or retirement plan and administration fees. For example, transaction costs for equities can range from \$5 to \$13 for a typical trade. Custodians may charge accounts for any overnight courier service and can range from \$8 to \$20. Mutual fund and fixed income transaction costs are generally less than \$50. In addition, mutual fund assets deposited in the account are typically subject to annual expenses as described in the fund's prospectus. These fees are separate from, and in addition to, the fees charged by Ailsa Capital. Where applicable, a qualified custodian will provide a prospectus that describes these charges among other information. Ailsa Capital encourages investors to thoroughly review the prospectus, and to contact Ailsa Capital if questions arise or to request additional information. As such, it should be noted that Clients who invest in mutual funds will pay both a direct management fee to Ailsa Capital and an indirect management fee to the manager of the mutual fund. These fees are not negotiable as they are not determined by Ailsa Capital.

In recommending mutual funds, Ailsa Capital only recommends no-load mutual funds (funds that do not have an associated sales charge). In doing so, the company avoids any potential conflicts of interest that can arise by recommending a change of investment strategy or funds solely for the purpose of collecting additional sales charges.

Fee layering can occur when Clients choose to use third-party money managers. Fees for service are billed directly by the separate account manager as well as by Ailsa Capital. Aggregate fees for fixed income accounts will not exceed our Fixed Income Schedule. Fees for third-party equity accounts are specified above, and are fixed, independent of asset levels. The fee schedules outlined above do not include transaction costs.

Clients should note that potentially lower fees for comparable services may be available from other sources.

#### **Compensation for the Sale of Insurance Products**

Certain persons associated with Ailsa Capital, including Mr. Martindale, are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. **Clients of our firm are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.**

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

Performance-based fees are based on a share of capital gains on or capital appreciation of the Client's assets. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not accept performance-based fees or participate in side-by-side management. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account(s).

#### **Types of Clients - Item 7**

Ailsa Capital's Clients are primarily high net worth individuals, pension and profit sharing plans, and corporations or other businesses. Additionally, many of the accounts that are managed are qualified retirement accounts. There are no specific requirements for opening or maintaining an account, including minimum account size.

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

Ailsa Capital provides advice based on a Client's financial goals and circumstances, investment goals, and expected investment time horizon and risk tolerance. Using this information and any additional data obtained from the Client, Ailsa Capital helps the Client to determine how his or her assets should be allocated among investment classes in an effort to meet the Client's goals and objectives. If the allocation appears to be suitable for the Client, Ailsa Capital will then recommend money managers, mutual funds, stocks, bonds, exchange traded funds (ETFs), options, real estate, and/or other investment advisors to manage the investment classes in a manner consistent with the Client's investment objectives and allocation.

Money managers, mutual funds, stocks, real estate, and other investment advisors are determined based on a number of criteria including, but not limited to: manager tenure, performance, sector trends, macroeconomics, fees, and valuations. Our primary method of valuation is fundamental analysis. This consists of traditional analysis of financial statements, annual reports, and other public documents and news to determine current values of securities. Fundamental analysis does not attempt to anticipate market movements, and as such, is subject to market fluctuations.

Based on risk tolerance and the items referenced above, Ailsa Capital will classify each Client account into one of the following six investment objective categories;

Capital Preservation - Emphasizes current income, low risk and prevention of capital loss.

Balanced Income - Emphasizes current income with low to moderate risk in equities.

Income & Growth – Emphasizes current income with moderate risk in equities.

Balanced Growth – Emphasizes reasonable growth with moderate risk, weighted more in equities.

Growth – Emphasizes long-term growth with moderate to high risk in equities.

Aggressive Growth – Emphasizes maximum growth and capital appreciation in equities. Highest risk

All investment objective categories involve the same following risks in varying degrees, depending on the allocation between cash, bonds and equities.

Interest rate risk (bonds): When interest rates rise, debt security prices generally fall, and when interest rates fall, debt security prices rise. In general, securities with longer maturities are more sensitive to interest rate changes.

Credit risk (bonds): An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or part.

Management risk (bonds and equity funds): The funds are subject to management risk because they are actively managed funds. The fund's manager applies investment techniques and risk analyses in making investment decisions for the fund, but there is no guarantee that these decisions will produce the desired results.

Market risk (bonds and equities): The market value of securities owned in accounts will go up and down, sometimes rapidly or unpredictably. Unseen future world, sector, or company specific events may increase or decrease the value of the security held. Also, if there is more supply than demand, the price of the security will likely fall. Likewise, if there is more demand than supply, the price of the security will likely rise.

All Clients should also be aware that investing in securities involves risk of loss that all Clients should be prepared to bear.

Ailsa Capital advisors may use various methods to determine an appropriate investment strategy for your portfolio with the goal of reducing risk and increasing performance in each customized portfolio. We seek to recommend investment strategies or products that will give you a diversified portfolio consistent with your investment objective. We do this by analyzing the various products, investment strategies, and money management firms to which we provide access. That analysis includes a review of the structure, cost, and investment performance history of each program.

#### Disciplinary Information - Item 9

Ailsa Capital, Inc. does not have any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our management.

Along with several others, Mr. Martindale was a member of 9560 South Associates, LLC, a company which invested

in real property. The sole investment property owned by 9560 South Associates, LLC was foreclosed upon in 2013 due to the bankruptcy of the long-term tenant and the entity's inability to re-lease the property in a timely manner due in large part to a number of implications stemming from the tenant's Bankruptcy filing. Mr. Martindale was the sole owner of Ailsa Capital Management, an entity that managed the property owned by 9560 South Associates, LLC. Ailsa Capital Management provided such administrative services to 9560 South Associates, LLC at the time of the tenant's bankruptcy and subsequent foreclosure of the property.

#### **Other Financial Industry Activities or Affiliations - Item 10**

Neither Ailsa Capital nor any of its management persons is registered as a futures commission merchant, a broker dealer, a commodity trading adviser, or a commodity pool operator, nor do either parties have an application pending or otherwise in process for the purpose of seeking registration as any of these types of firms. Further, none of our management persons are registered as or currently seeking registration as associated persons of any of these types of firms.

##### **Insurance Activities**

John Martindale, Cam McClellan, and Dane Jensen are also independent, licensed insurance agents. They offer fixed insurance products, for which they receive a commission. This practice presents a conflict of interest as it could possibly give one of our representatives an incentive to recommend insurance products based on the compensation received, rather than on a Client's needs. We continuously monitor and supervise the activities of all of our representatives. Should we detect any irregularities involving any transaction, we will research the matter and evaluate and discuss the decision-making methodology with that representative accordingly.

##### **Outside Business Activities**

In addition, Mr. Martindale is the owner of Ailsa Capital Management, an entity that provides administrative assistance to entities that own investment properties. It is expected that Mr. Martindale may act as the property manager for advisory clients and that the services and fees charged in this capacity are separate from and in addition to advisory services and fees. Clients are under no obligation to utilize the services offered through Ailsa Capital Management. Mr. Martindale spends less than ten percent of his professional time in his capacities with Ailsa Capital Management.

##### **Recommendation of Other Advisors**

We may recommend that you use a third-party manager or program as part of our asset allocation and investment strategy. Ailsa Capital will share in the compensation received by the third-party manager. As a result of such arrangements, we are incentivized to recommend only the third-party managers with which we have fee sharing arrangements as opposed to another third-party manager with which we do not share fees. We continually monitor recommended third-party managers. In the event that any third-party manager is not meeting the standards that we believe meet your needs, we will seek other third-party managers that may be a better fit for your specific management needs.

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

##### **Description of Our Code of Ethics**

Ailsa Capital has adopted a Code of Ethics (Code) for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. Ailsa Capital and its personnel owe a fiduciary duty of honesty, fairness, and good faith towards their Clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that may include general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures.

Ailsa Capital will provide a copy of the Code to any Client or prospective Client upon request in writing or by calling the firm's Compliance Department at 801-501-0302.

#### **Participation In Client Transactions and Personal Trading**

Investment advisor representatives and other associates of Ailsa Capital may own an interest in, or buy or sell for their own accounts, the same securities which may be purchased or sold for the accounts of advisory Clients. This creates a conflict of interest in that the advisor could place his personal interest above that of the client. We address this conflict specifically in the Code. In all cases, Client orders are given priority, and Ailsa Capital seeks to ensure that they do not personally benefit from the short-term market effects of their recommendations to Clients. Employee Personal Accounts are reviewed quarterly to ensure that the fiduciary duty is adhered to in all aspects of trading.

#### **Brokerage Practices - Item 12**

Ailsa Capital typically utilizes the services of several qualified custodians including Charles Schwab & Co., Inc., Equity Institutional, and Dunham Trust for both custody and transactions. We have considered services, costs, fees, financial strength, and other determining factors when selecting these organizations.

We have an institutional custodial relationship Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC. Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and will buy and sell securities in your account(s) upon our instructions. While we routinely recommend that you use Schwab as your custodian/broker, you will decide whether to do so and you will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

Ailsa Capital receives the benefits of a trading platform and research at no cost to us. Ailsa Capital considers several factors when making this recommendation including the broker's ability to provide professional services, Ailsa Capital associates' years of experience with the broker, the broker's reputation, the broker's quality of execution services, and the cost of such services, among other factors. However, Clients are under no obligation to effect trades through an Ailsa Capital-recommended broker.

While we use these companies for brokerage transactions, we do not receive direct trading compensation from them and do not direct trades through prime broker relationships; however, some third-party money managers

may direct trades through prime broker relationships.

*Your Custody and Brokerage Costs*

Schwab generally does not charge you separately for custody services, but is compensated by charging commissions or other fees on certain trades that it executes or that settle into your Schwab account. Trading commissions typically range between \$0.00 and \$4.95 per trade. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account.

*Research and Other Soft Dollar Benefits*

Although not considered “soft dollar” compensation or credits, Ailsa Capital may receive some economic benefits from Schwab Advisor Services in the form of access to its institutional brokerage, trading, custody, reporting and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, Schwab may charge us quarterly service fees. Below is a detailed description of Schwab’s support services.

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

*Services that May Not Directly Benefit You:* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

*Services that Generally Benefit Only Us:* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

We place trades for clients' accounts subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients, so we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than that provided by other broker-dealers.

#### **Brokerage for client Referrals**

We do not receive client referrals from broker-dealers and custodians with which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

#### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through broker-dealers with which we have a business relationship. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

We do not typically accept directed brokerage accounts. If a Client prefers to use a particular broker-dealer to execute transactions in their accounts, the Client will be responsible for placing the transactions and negotiating the terms of the arrangement with the broker-dealer. As a result, the Client may pay higher commissions for trades or receive less favorable prices.

#### **Trade Aggregation**

When executing transactions, Ailsa Capital does not execute aggregate purchases or sells for client accounts. The transaction fee for each client is the same whether the trade was placed individually or aggregated for all clients. For stock trades, the price execution of each trade can be higher or lower depending on the volatility of the stock.

### **Review of Accounts - Item 13**

#### **Portfolio Management Account Reviews**

For Clients under an asset management agreement, Ailsa Capital advisers and/or analysts review Client positions on at least an annual basis and maintain documentation for each actively-managed account that includes information such as securities held, purchase price, current values, net gain/loss, percentage gain, etc. These reports are produced for client reviews, and may be requested either digitally or in print at any time by our clients. Investment Advisors meet with their Clients on a quarterly, semi-annual, or annual basis (or according to a particular Client's needs) to review the Client's account. Certain key factors such as a Client's needs or financial circumstances, a change in a fund's manager or objective, changes in other key factors such as risk/return ratio and/or the potential need to rebalance the account's allocation are discussed as part of this review. Reviews are conducted by the firm's financial planners or analysts.

Accounts held with separate account managers are also reviewed at least annually, with additional focus directed

at the managers of the accounts.

Account reviews for clients using consulting services are typically performed during the first meeting, as well as any time thereafter upon request. A financial plan is a snapshot in time and no ongoing reviews are conducted, unless you have engaged us for periodic updates. We recommend a plan review at least annually.

The account custodian, which is typically a brokerage firm, mutual fund company, trust company or similar entity, provides each Client with regular written reports (no less than quarterly). These reports list the account positions, activity in the account over the covered period, and may also include other related information. The account custodian also provides confirmations following each transaction, unless waived by the Client

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

##### **Client Referrals**

Our firm and our Associated Persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for Client referrals.

##### **Other Compensation**

Ailsa Capital has brokerage and clearing arrangements with Schwab and/or other qualified custodians/broker-dealers. As such the firm may receive additional benefits from them in the form of electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third party research, continuing education, practice management advice, and other services provided by custodians for the benefit of investment advisory clients.

##### **Recommendation of Other Advisors**

We may recommend that you use a third-party manager or program as part of our asset allocation and investment strategy. In these cases, Ailsa Capital will share in the compensation received by the third-party manager. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of a third-party manager. Since our compensation may differ depending upon our individual agreement with each third-party manager, we have an incentive to recommend one third-party manager over another third-party manager with whom we have less favorable compensation arrangements or other advisory programs offered by third-party managers with which we have no compensation arrangements. At all times Ailsa Capital and its Associated Persons uphold their fiduciary duty of fair dealing with Clients. You are not required to use the services of any recommended third-party manager.

#### Custody - Item 15

Ailsa Capital uses a qualified custodian to maintain custody of Client assets. -We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. Pursuant to your written authorization, as paying agent for our firm, your independent, qualified custodian will directly debit your account(s) for the payment of our advisory fees. The ability for us to calculate the fee and send an invoice to the custodian with the amount of the fee to be deducted from your account causes our firm to exercise limited custody over your funds or securities. Additionally, we are deemed to have custody in certain situations where we accept standing letters of authorization from clients to



transfer assets to third parties. Ailsa Capital is considered to have limited custody of client assets which have third-party money movement authority. Third-party money movement authority is a standing letter of authorization (SLOA) or other similar asset transfer authorization that allows an advisor to disburse funds on behalf of his or her clients to third parties. SLOAs are established by having the client sign the custodians form, either electronically or via paper, that includes the third party's name and address, or account number. The disbursements may include checks, journals, wires, and ACH transactions. The client instructs the qualified custodian that maintains the client's account to transfer funds from time to time to a designated third party upon the future request of Ailsa Capital in accordance with the limited authority the client grants to Ailsa Capital. Ailsa Capital or any employee of Ailsa Capital does not have a beneficial relationship on any clients third party account that is not their own.

In all cases, we maintain safeguards in accordance with regulatory requirements regarding custody of client assets. Additionally, you will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have questions regarding your account or if you did not receive a statement from your account custodian, please contact our Compliance Department at 801-501-0302.

#### **Investment Discretion - Item 16**

We at Ailsa Capital accept discretionary authority to manage accounts on behalf of most of our Clients. The Clients must complete and sign the Ailsa Capital New Account Application as well as an Investment Management Agreement. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be submitted in writing.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

#### **Voting Client Securities - Item 17**

Ailsa Capital acts as a discretionary investment adviser for various Clients, including Clients governed by the Employee Retirement Income Security Act of 1974 (ERISA). Upon execution of the Client Investment Management Agreement, the Client either expressly assigns the responsibility for voting all proxies solicited by issuers of securities held in the account to Ailsa Capital or chooses to vote his or her own proxies and to take shareholder action with respect to other corporate actions.

Voting as proxy can present a conflict of interest. When the responsibility to vote proxies has been assigned to Ailsa Capital, our utmost concern is that all decisions be made solely in the best interest of the Client (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). Ailsa Capital will act in a prudent and diligent manner intended to enhance the economic value of the Client's account.

Prior to voting, Ailsa Capital will determine if there exists a conflict of interest by looking at the list of interested parties. If a conflict exists, the voting decision will be deferred to the client. The client will be provided with a Conflict Notice, stating the conflict, the adviser's recommendation, and requesting a response from the client. If no response is received by the deadline, the shares will not be voted.

Clients may receive information about how their proxies were voted, and may also receive a copy of our proxy voting policies and procedures by contacting the firm's Compliance Department at (801) 501-0302.

#### **Financial Information - Item 18**

Ailsa Capital has not attached a balance sheet for its most recent fiscal year because it does not have full custody of Client funds or securities, nor does it require prepayment of more than \$1200 in fees per Client, six months or more in advance.

We do not foresee any financial condition that is likely to impair our ability to meet contractual commitments to our Clients.

It should be noted that neither Ailsa Capital, nor its principals, nor its investment adviser representatives have been the subject of a bankruptcy petition at any time during the past ten years.