

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

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

**Weatherhelm**  
Capital Management

*Steering a steady course.*

SEC File #: 801-81110  
Firm IARD/CRD #: 175019

Weatherhelm Capital Management, LLC

REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Weatherhelm Capital Management, LLC, which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Weatherhelm Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Weatherhelm Capital Management, LLC has attained a certain level of skill or training.

**CORPORATE OFFICE**

Mailing Address &amp; Primary Location

5 Washington Street, Suite 1  
Cambridge, New York 12816  
518.407.3886

**OFFICES OF CONVENIENCE**

By Appointment Only

342 Weldon Drive  
Sandgate, Vermont 05250  
802.559.1763

10847 E. Palm Ridge Drive  
Scottsdale, Arizona 85255  
630.247.9950

[info@weatherhelm.net](mailto:info@weatherhelm.net)  
[www.weatherhelm.net](http://www.weatherhelm.net)

BROCHURE  
DATED

**1**  
**JANUARY**  
**2023**



## MATERIAL CHANGES

ITEM 2

SEC Rule 204-3(b)(2) allows us to provide you with a summary page of Material Changes in lieu of sending out our entire Disclosure Brochure. If you are being offered this Material Change page as a separate piece from our Disclosure Brochure and you have questions about these summary disclosures or would like a current copy of our Disclosure Brochure to review, **you may contact us, and a current, complete Disclosure Brochure will be sent free of charge.**

### Office of Convenience

The Seattle office has been moved to 10847 E. Palm Ridge Drive, Scottsdale, Arizona 85255. All other contact addresses and phone numbers remain the same.

### National Futures Association

We have disclosed under Item 10. "Other Financial Industry Activities & Affiliations," Mr. J. Clark Kastner's relationship with an affiliated entity, Weatherhelm Futures, LLC, a National Futures Association ("NFA") Independent Introducing Broker (NFA ID #0552777). As of the date of this Disclosure Brochure, the registration is pending. When approved, focus of Weatherhelm Futures will be to provide listed futures and futures options execution services to institutional clients. Weatherhelm Futures' clientele base will not overlap with Weatherhelm Capital Management clients - there will be no common clients between the two entities.

### Referral Compensation

We no longer have a referral arrangement with Axos Bank, via their Axos Advisory Program, under a marketing service agreement. This disclosure has been removed from this Disclosure Brochure.

## WEATHERHELM CAPITAL MANAGEMENT, LLC

5 WASHINGTON STREET, SUITE 1  
CAMBRIDGE, NEW YORK 12816

TEL: 518.407.3886  
FAX: 518.667.7398

This brief is being provided to you as a summary of what has been fully disclosed in our Disclosure Brochure dated January 1, 2023. The information contained on this Material Change page has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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## ADVISORY BUSINESS

ITEM 4

### Who We Are

Weatherhelm Capital Management, LLC (hereinafter referred to as “Weatherhelm,” “the Company,” “we,” “us” and “our”) is a fee-based registered investment advisor<sup>1</sup>, organized as a New York Limited Liability Company in December 2014, to offer financial services<sup>2</sup> designed to assist you, our client<sup>3</sup>, achieve the financial stability, security, and independence you desire.

### Owners

The following persons control the Company:

Name	Title	CRD#
Weatherhelm, LTD	Holding Company & Member of Weatherhelm	N/A
J. Clark Kastner	President & CEO of Weatherhelm, LTD and Managing Member & Chief Compliance Officer of Weatherhelm	3268079

### Our Mission

Our mission is to be a trusted advisor. We use cutting edge investment strategies and technology to help our clients meet their financial goals *while taking the least amount or risk necessary*. We operate on the credo: It is not how much you make, but what you *don't* lose that matters most.

Our approach is cash flow based. We will identify where you are financially, keep you focused on where you want to go, offer advice on how best to get there, and continually remind you of the importance of maintaining a disciplined financial strategy to realize your financial goals.

### Assets Under Management

As of December 30, 2022, our assets under management and assets under advisement<sup>4</sup> totaled:

Discretionary Accounts.....	\$56,160,102
Non-Discretionary Accounts.....	\$955,464
Assets Under Advisement.....	\$498,793

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Weatherhelm Capital Management, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission (“SEC”) - and “Notice Filed” with State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> Weatherhelm Capital Management, LLC is a fiduciary, as defined within the meaning of Title I of the Employer Retirement Income Security Act of 1974 (“ERISA”) and/or as defined under the Internal Revenue Code of 1986 (the “Code”) for any financial services provided to a client who is: (i) a plan participant or beneficiary of a retirement plan subject to ERISA or as described under the Code; or (ii) the beneficial owner of an Individual Retirement Account (“IRA”).

<sup>3</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.

<sup>4</sup> Assets under Advisement are our Alternative Asset Consulting investment accounts and are not included in our “Regulatory Assets Under Management” calculation in our Form ADV Part 1A, Item 5.F. Therefore, the discretionary and non-discretionary totals disclosed in this Disclosure Brochure will not always match what is reported in our ADV Part 1A.



## What We Do

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**We manage wealth.** As part of our fiduciary duty, we will **hold in trust** your financial future as if it were our own and **guide you** as together we explore what you value to then set a course to fulfill **today's needs, tomorrow's dreams**, and a strategy to build a **lasting legacy** for future generations.

Focus of our management begins with identifying your standards of living and quality of lifestyle expectations. We will accomplish this through an initial **Discovery Meeting** where we will review the financial documents we asked you to bring for discussion. Together questions will be asked, information shared, and an evaluation made as to whether we should move to the next step. During the meeting, we will:

- ❖ Learn about your core values and guiding principles.
- ❖ Seek to understand your financial concerns and how you have been addressing them.
- ❖ Discover your financial objectives and what success looks like for you.
- ❖ Build a comprehensive net worth statement and cash flow statement; and,
- ❖ Create an internal profile consisting of your career objectives, investment goals, risk tolerance and investment time horizon, targeted rate of return, and prior investment experience, along with personal information about your relationships, your values, and interests.

Moving forward from the Discovery Meeting, should you choose to engage us for financial services, we will prepare an Investment Policy Statement ("IPS") to memorialize the process of identifying your monetary needs, your unique investment expectations, time horizons, and risk tolerance. Our services include:

## Portfolio Management

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Our portfolio management strategies focus on "baking from scratch," that is to say, designing and managing a diversified allocation mix of single-issue equity ("stock") and fixed income ("bond") positions. In smaller accounts, and for particular strategies, we will also use low-cost Exchange-Traded Funds ("ETFs") and/or Closed-End Funds ("CEFs") trading at a discount to Net Asset Value (NAV), to provide diversified exposure to board asset classes or indices<sup>5</sup>.

In addition, depending on your situation and risk tolerance, we may also employ the following investment vehicles to achieve your desired investment objective: hedge funds, foreign exchange, futures and futures options and other publicly/privately traded securities in over 30 market centers around the globe. We are also able to provide low-cost currency conversion services and accept deposits in over 20 different currencies.

While these investment vehicles bring on a different risk dynamic, our extensive experience allows us to offer a much broader set of investment options for accredited investors and qualified purchasers. In order to make investments in one of these securities, clients will need to qualify based on regulatory requirements and the appurtenant IPS will outline the scope of investments permitted. We will discuss with you the limitations of such securities and the potential risks factors they may add to your portfolio.

Information regarding our management fee structure is disclosed under "Portfolio Management Fee" in Item 5, "**Fees & Compensation**" and further description of our

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<sup>5</sup> You may, at any time the IPS for your account is written, or during subsequent reviews of your IPS, impose restrictions in writing on the securities we may purchase for your account (i.e., limit the types/amounts of particular securities, etc.).



investment strategies under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss”.

### Alternative Asset Consulting

Alternative Asset Consulting consists of recommending alternative investment portfolios (i.e. Hedge Funds and Private Offerings) for you to invest a portion of your investable assets. Under this arrangement, we will consult with you to structure and organize an alternative investment account including any due diligence on the Hedge Fund and/or Private Offering and the collection of the information requisite to qualify your assets for inclusion in an alternative investment portfolio, but we will **not be involved in the day-to-day management of these alternative investments**.

Once the account is established, **our responsibility will be to monitor the performance of your alternative portfolio** to ensure it continues to adhere to the stated goals and objectives outlined in your IPS and provide diversification suggestions based on your overall asset allocation.

Information regarding our fee to advise you on your alternative investment portfolio is disclosed under “Alternative Asset Consulting Fee” in Item 5, “Fees & Compensation”.

### Financial Planning

Financial planning is an essential tool to help navigate unexpected events with the ultimate goal of providing the confidence and security necessary during both the working years (wealth accumulation) and retirement years (wealth distribution) of your life. However, such **planning requires a lifetime commitment**, not only from you but from us as well, your financial planner.

#### What is a Financial Plan?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined life goals and choices. A well-designed plan is a step-by-step process intended to identify and clarify purpose, personal and family core values, needs, and priorities to align your financial decisions with your goals in all areas of your life and business. Planning includes:

1. Arriving at a series of decisions and action items based on current and future financial circumstances and defined goals and objectives.
2. Projecting the consequences of these decisions for you in the form of an economic plan - **a working blueprint**; and,
3. Implementing the protocols outlined in the plan to achieve the plan objectives.

Once complete, the financial plan, or working blueprint, becomes the benchmark that is used to help us evaluate where you are in achieving your financial goals, needs, and objectives.

#### Financial Planning Composition

All forms of financial planning are a mutually defined review, analysis and evaluation of your personal financial needs and goals. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
- ❖ Preparation of the financial plan, which encompasses your:
  - Current financial situation.
  - Liquidity and asset preservation needs.



- Wealth accumulation and growth.
- Wealth distribution and transfer.

More specifically planning may include, but is not limited to, the following modules:

- Financial Statements - Cash Flow and Balance Sheet.
- Savings and Emergency Reserves.
- Asset Allocation and Investment Portfolio Analysis.
- Potential Income Tax consequences in collaboration with your tax advisor.
- Risk Management and Insurance Analysis.
- Retirement Income Analysis.
- Long-Term Healthcare.
- Estate and Family Legacy Planning.
- Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
  - Prepare a professional investment proposal that can include a written Investment Policy Statement (“IPS”).
- ❖ Facilitate meetings with you and/or other specialists within our network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.

### Preparing the Financial Plan

We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires<sup>6</sup>. Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information<sup>7</sup> based on your financial status and future goals.

The fee for preparing a financial plan is disclosed under “Financial Planning Fee” under Item 5, “Fees & Compensation”.

### Retirement Planning

We assist ERISA-qualified retirement and savings plans in the design of the fiduciary governance structure and with the development of an investment management program. Our services under ERISA are to act as a **Limited-Scope 3(21) Fiduciary**. As such, we acknowledge we have a co-fiduciary role but **do not** take discretion or act as a 3(38) Fiduciary to construct an investment menu, select and monitor money managers, mutual funds, or ETFs or to replace the investment options within the plan.

Our responsibility will be to provide the plan sponsors and/or Named Fiduciary of the retirement plan with access to extensive investment tools offered by various retirement planning providers, Third Party Administrators (“TPAs”), to guide them in their duty to implement, maintain, administer and provide fiduciary oversight of their corporate defined

<sup>6</sup> The information we gather from you through personal interviews and questionnaires is vital for us to effectively advise you on your unique financial needs and help you plan for your future. Electing to dismiss certain requested documents or respond to questions with limited input can put us at a disadvantage and handicap our ability to successfully meet your financial expectations. Therefore, if you want the best advice we can offer in designing a financial plan or with any portfolio management, you should make every effort to provide us with detailed personal information and be as accurate with your responses as you possibly can.

<sup>7</sup> All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.



benefit and/or defined contribution retirement plan. Generally, these services will include, but are not limited to:

- ❖ Identifying asset classes and various asset class combinations;
- ❖ Diversification and optimization approaches for the plan to effectively control asset allocation decisions and risk management; and,
- ❖ Educating plan participants on investment options and use of the investment platform menu.

You can find more information about our Retirement Planning fees below under “Retirement Planning Fee” in Item 5, “Fees & Compensation.”

### General Consulting Services

We also offer **general consulting services**, which are independent of all other services. Under this arrangement, we do not provide any on-going investment management or financial planning services. Such consulting may include, but is not limited to:

- ❖ General and/or specific advice on non-managed investments.
- ❖ General and/or specific financial planning advice.
- ❖ Independent retirement plan benchmarking and cost analysis.
- ❖ General and/or specific life insurance or annuity contract review and recommendations.
- ❖ General and/or specific divorce planning advice.

For information on our fees for consulting services, see “General Consulting Fee” under Item 5, “Fees & Compensation.”

## FEES & COMPENSATION

ITEM 5

### Discovery Meeting

The Discovery Meeting is offered to qualified prospects without cost or obligation after an initial introductory phone call. It is not our regular business practice to charge for our time to attend the Discovery Meeting or the subsequent Follow Up Meeting where we present our findings and recommended strategy. The objectives we strive to accomplish with you during this meeting are to:

- ❖ Diagnose your current financial need.
- ❖ Address your financial concerns and answer your questions on how we can assist you.
- ❖ Recommend financial resolutions aimed at lowering costs, reducing risks, increasing expected returns, and/or increasing tax efficiency to improve the likelihood of successfully achieving your goal.
- ❖ Explain our investment methodology and how our investment strategies work; and,
- ❖ Explain the benefits of financial planning and how a comprehensive evaluation of wealth management needs is beneficial beyond just managing your investable assets.

Following the Discovery Meeting, we will schedule a Follow Up Meeting (in person or via WebEx or teleconference) where we will present our findings and recommendations, along with a draft IPS for your account(s), and our advisory agreement to establish a relationship to manage your assets based on the fee schedule listed below.

If, however, you wish no further interaction coming out of the Discovery and Follow Up Meetings, you will be responsible for implementing any recommendations. All financial





services discussed will have been concluded and we are not responsible to implement the advice or for any on-going supervision, monitoring, and/or reporting.

## Portfolio Management Fee

Portfolio management is provided on an **asset-based fee** arrangement. Management fees are calculated based on the **average daily balance**<sup>8</sup> of your account(s) for each day in the previous calendar month multiplied by one-twelfth (i.e.,  $2.00\% \div 12 = 0.1667\%$ ) of the corresponding annual percentage rate.

We retain **discretion to negotiate the management fee within each tier** on a client-by-client basis depending on the size, complexity, and nature of the portfolio managed. In addition, as your portfolio value exceeds each tier level, either through additional deposits or asset growth, a fee break will occur.

The tier breaks are as follows:

Portfolio Value	Annual Fee Rate Not to Exceed
Up to \$100,000 .....	2.00%
\$100,001 to \$1,000,000 .....	1.20%
\$1,000,001 to \$2,000,000 .....	1.00%
Over \$2,000,000 .....	0.72%

At Weatherhelm, we do not believe in account minimums. They are antithetical to our culture and our mission to provide help and guidance to those who can benefit from it. Our determination to accept you as a client will be based on a number of factors including your future earnings potential and **most importantly your demonstrated willingness to implement our advice and work together constructively.**

## Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

### Discretion

We will *typically* establish discretionary trading authority on most management accounts to execute securities transactions at any time without your prior consent or advice.

You may, at any time, however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

### Non-Discretionary

In circumstances where we do not have discretionary trading authority, the fee structure will be analogous to the one shown above but will be negotiated on a case-by-case basis

<sup>8</sup> The average daily balance is calculated first by determining the maximum number of days from which to retrieve prices and then accumulates the values of your account on each day of the month. This accumulation is then divided by either the total number of days the account balance was not zero or the total number of days in the month.



depending on the particular facts and circumstances. Under no circumstances would the fee be higher for a non-discretionary account of a particular tier than on the schedule set forth above.

### Billing

Your account will be billed **monthly in arrears** based on the average daily balance of your account throughout the calendar month. For **new managed accounts** opened in the middle of the month, our fee will be based on a pro-rata calculation of the average daily balance of your assets managed for the monthly period.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on ETFs, CEFs, or mutual fund shares. These expenses generally include management fees and various fund expenses. A complete explanation of these expenses charged by the ETFs/CEFs is contained in each ETF's or CEF's prospectus. **You are encouraged to carefully read the fund prospectus.**

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "Brokerage Practices".

### Termination of Portfolio Management

To terminate our portfolio management services, either party (you or us) by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least three (3) days prior** to the date of termination. Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar month, **we may will bill your account a pro-rated management fee** based upon the number of days during the month we managed your account from when termination notice went into effect. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Alternative Asset Consulting Fee

The Alternative Asset Consulting fee is a negotiable **fixed-fee not to exceed \$2,000 annually** and billed quarterly in arrears (i.e.  $\$2,000 \div 4 = \$500$ ). The fixed-fee can vary depending on the complexity of the alternative investment in question and the frequency and amount of ongoing reporting you may require.



Our consulting fee for the advice we offer on the alternative investments to hold in your portfolio cover the following:

- ❖ Gathering information for us to discuss together on the alternative investment. This can include, but is not limited to: Private Placement Memoranda, Prospectuses, Operating Agreements, and Subscription Agreements.
- ❖ Negotiate the purchase of the alternative investment.
- ❖ Administration and monitoring of the investments during the contracted period.
- ❖ Asset valuations<sup>9</sup> on the alternative investment included in a consolidated report of all your portfolio holdings.

## Financial Planning Fees

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The cost to prepare a financial plan depends on the scope of engagement, complexity of service requested, the nature of your personal and financial situation, and any other factors that may affect the project to perform the services you desire.

Financial planning services are offered on a **negotiable hourly rate not to exceed \$250 per hour** for the initial engagement.

Financial planning fees may be significantly **reduced, or waived, if we are managing your investment portfolio(s)**. The Financial Planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost<sup>10</sup> to review your personal/financial information and prepare the financial planning documents.

## Financial Planning Termination

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You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. **After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.**

## Retirement Planning Fee

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As a **Limited-Scope 3(21) Fiduciary** our responsibility to the plan sponsors and/or Named Fiduciary will be to assist with the development of an investment program menu based on the investment disciplines that most closely resemble the retirement plan's investment objectives and risk tolerance as outlined in the plan's Investment Policy Statement. The investment platform menu administered by a Third-Party Administrator ("TPA") offers:

- ❖ Customized mutual fund allocation models with each model consisting of varying target asset allocations.
- ❖ Customized open architecture platform.
- ❖ Construction tools to implement effective investment portfolios.
- ❖ Online reporting and account access.

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<sup>9</sup> Asset valuations included in our consolidated reports come from the Third-Party Administrator. We do not appraise or value assets held in your alternative investment account.

<sup>10</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.



Once the platform menu is in place, we will advise the plan Investment Committee on the performance of each allocation model and make recommendations, if any, on rebalancing and/or replacement of investment options to the platform menu.

### How Retirement Planning Fees are Billed

Retirement planning services are provided on an asset-based fee arrangement and such fees will be administered by the retirement plan TPA platform. **The TPA will disclose all fees to the plan sponsors and/or Named Fiduciary in a retirement planning agreement** and provide copies of any disclosure documents. The retirement planning fees that will be charged to retirement plan will include:

1. The Third-Party Administrator platform fee; and,
2. Our retirement planning fee (**not to exceed 1.20%**) that the TPA will pay us from the total fee collected.

### Protocols for Retirement Planning Services

The TPA's retirement planning agreement contains all pertinent disclosures relating to the management services being offered: such as, the fee structure for such services, billing, fee exclusions, termination provisions, and any other unique advisory costs associated with servicing the retirement plan. We will discuss all these arrangements with the plan sponsors and/or Named Fiduciary when we go to select the retirement plan TPA platform; however, the plan sponsors and/or Named Fiduciary is **encouraged to read about these retirement planning services on their own - don't take our word for it!**

### General Consulting Fee

General consulting is independent of our investment management and financial planning services. **Under this arrangement, we do not provide any on-going management of your account or give continuous investment advice.** We will perform the desired task, but you are responsible for implementing any of the advice.

Our general consulting fee is a **negotiable hourly rate not to exceed \$250 per hour** for our advice. All consulting fees will be completely itemized in a billing statement or consulting agreement. For the initial consultation, the fee will be due at the end of the session. Thereafter we will bill you at the agreed upon hourly rate, should we be contacted by you for future reviews and advice.

General consulting services can be terminated at any time.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

### Performance-Based Fee

Should you be interested, and meet the minimum qualifications, we offer an optional performance-based management fee structure that is **a share of the trading profits** in your account. The fee structure for a performance-based trading account is set as follows:

Portfolio Value	Base Management Annual Fee Rate	Performance-Based Fee
All Assets .....	0.00%	20%



We generally require a minimum initial investment of \$500,000<sup>11</sup> to open a performance-based trading account; however, we retain the right to **waive or reduce** this minimum if we feel circumstances are warranted.

We will **only** earn a performance-based fee for performance-based trading accounts, the base management fee **is waived**. The performance-based fee charged to your trading account is based on how well your account performs over a quarterly period. How the performance-based fee is calculated:

- ❖ We will earn **20% of the quarterly** “trading profits” if your account value exceeds the “high watermark” quarterly account value.
- ❖ The “**trading profits**” is the “fair market value” that exceeds the prior “high watermark.”
- ❖ The “**high watermark**” is the performance traded portfolio market value at the close of a calendar quarter adjusted for deposits, withdrawals.
- ❖ The “**fair market value**” is the value of the performance traded portfolio account as shown on the account statement at the close of each calendar quarter provided by the custodial firm.
- ❖ The “high watermark” becomes the threshold your account must exceed in any future quarters. If the “fair market value” at the close of a calendar quarter exceeds the prior “high watermark”, the account “fair market value” becomes the new “high watermark” threshold that must be achieved and exceeded for all future quarters. If your account does not exceed the “high watermark”, no performance fee is billed until such time as a future quarter exceeds the “high watermark”.

**IMPORTANT CONSIDERATIONS** - This strategy is designed for clients who can tolerate above average risks in order to seek unusually high returns. This account can utilize various aggressive tools including margin, market timing, sector fund selection, concentrated equity positions, and specialized securities designed to magnify (and in some cases produce inverse of) the performance of various market indexes. This strategy may not be tax efficient; you are urged to consult with an outside tax advisor before engaging us for this strategy.

### Performance-Based Fee Billing

The performance-based fee is **billed to the account quarterly in arrears**. The performance-based fee will **only** be assessed if the account value exceeds the previously established high watermark. At that point, the performance-based fee, calculated using the above fee structure, will be based on **all** the trading profits over the high watermark.

### Withdrawing Assets from Your Performance Trading Account

Should you withdraw assets from your performance trading portfolio account during the quarter, effectively lowering your account value to a level that could cause us to not earn a performance fee, the high watermark set on your account will be reduced equal to the amount of your withdrawal.

<sup>11</sup> The minimum account size of \$500,000 is negotiable on a client-to-client basis. However, regardless of the minimum account size, you must still meet either the \$1,100,000 or \$2,200,000 requirement for performance management (See “Regulatory Restrictions” below for more information.), understand the risks involved in an aggressive investment strategy, and be able to absorb the potential loss that can occur in this type of strategy.



### Termination of Performance Trading Services

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A performance trading account can be terminated at any time at the end of a calendar quarter. Upon termination, if your performance trading account exceeds the quarterly high watermark, we will bill your account our performance fee.

### Regulatory Restrictions

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To participate in the performance trading strategy, you must meet the minimum requirements of SEC Rule 205-3(d)(1), which are only available to you if:

- ❖ You fully understand the risks involved in performance-based fee management.
- ❖ You have at least \$1,100,000 under management with us or a net worth equal to or greater than \$2,200,000; or,
- ❖ You are a “qualified purchaser” under Section 2(a)(51)(A) of the Investment Company Act of 1940.

### Performance-Based Account Disclaimer

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Since our performance-based trading accounts are managed exactly as our standard asset-based management accounts, it is important to note that any performance-based fee structure will at times result in a higher fee being charged than in a conventional asset-based fee arrangement.

### Performance-Based Management Conflicts

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In a performance-based fee account, we can earn a substantially higher fee based on the returns we generate in your account. This poses a potential conflict of interest, which could affect the objectivity of our advice and recommendations in the following ways:

- ❖ Such performance-based accounts create greater incentives for us to be more aggressive so as to achieve higher returns. When we do this, you absorb a greater risk of possible loss due to excessive trading (churning) in the account while we would only lose potential performance-based management fees.
- ❖ Focus on such performance-based accounts could consume much of our time and therefore those other non-performance managed accounts could lose out on valuable time that should be devoted to all investments.
- ❖ Lower fees for comparable services may be available from other sources.

Notwithstanding such potential conflicts, we strive to serve your best interest; as well as, ensuring such performance-based management is in compliance with the Investment Advisor Act of 1940, Rule 275.205-3.

## TYPES OF CLIENTS

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ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management Fee” in Item 5 above in the, “Fees & Compensation” section of this Brochure.



## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance as outlined in your Investment Policy Statement to yield an effective investment strategy.

Using our proprietary model portfolios, we are able to customize your exposure using a diversified allocation mix of single-issue equity (“stock”) and fixed income (“bond”) positions. In smaller accounts, and for particular strategies, we will also use low-cost Exchange-Traded Funds (“ETFs”) and/or Closed-End Funds (“CEFs”) trading at a discount to Net Asset Value (NAV), to provide diversified exposure to broad asset classes or indices.

### Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gather information and to guide us in our management decisions.

#### Fundamental Analysis

Fundamental analysis considers efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the marketplace. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

#### Quantitative Analysis

Quantitative analysis seeks to understand the behavior of a security using mathematical and statistical modeling to measure certain unique characteristics such as, for example, revenues, earnings, margins, and market share. Mathematical and statistical modeling helps us to ascertain security price and risk to ultimately help identify profitable opportunities.

**RISKS** - The key benefit of quantitative analysis is its ability to reduce complex figures to a single piece of data that is easy to grasp, discuss, and support decision-making and investment recommendations. However, using quantitative analysis alone with no further evaluation is often too narrow and sometime misleading since focus is on financial data while neglecting other details such as management experience, employee attitudes, and brand recognition.

#### Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.





**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the marketplace. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable, and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

### Cyclical Analysis

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Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit strategies.

**RISKS** - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **quantitative analysis** assists us with portfolio optimization techniques. **Technical analysis** is short-term focusing on the statistics generated by market activity; and **cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

### Investment Strategies

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

### Asset Allocation

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Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. We know that certain asset classes produce higher returns but with higher volatility (i.e., stocks) than more staid investments which typically exhibit lower returns (i.e., bonds). In addition, we have learned that by adding non-correlated "alternative" assets to the mix (i.e., gold, real estate, hedge funds etc.), the overall volatility of the portfolio may be reduced without lowering returns.

Our approach to asset allocation starts with the question: *"How much do I need to make?"* Followed quickly by *"What is the least risky portfolio of securities that I can expect to generate that return?"* This approach differs from the typical age-based approach that often relies on vague notions of "risk tolerance."

In our experience everyone is brave when markets are going up - the key is to plan for and deal with the potential of maximum allowable draw-down (i.e., how much are you willing to lose in any given period). The need to avoid drawdowns typically increases as your time horizon shortens (i.e., as you age and approach retirement) but the correct answer to the Asset Allocation question is not an arbitrary mix based on your age. That is why cash flow





modelling is so important, it gives us the answers to the questions we have already asked to answer these questions to meet your stated goals:

*“How much. . .*

1. *do I have now?”* (Net worth statement);
2. *can I afford to save?”* (Cash flow analysis/budget); and,
3. *time do I have to meet my goal?”*

Based upon this analysis we will establish a return target which will be memorialized in your IPS. The investment strategy then becomes meeting this return target **with the least amount of risk necessary**.

Other features of our asset allocation strategies can utilize these portfolio-modeling structures for analyzing various possible portfolio groupings of securities.

#### Anti-Martingale Risk Management

An Anti-Martingale risk management process is central to our risk management that primarily involve the purchase of individual stocks. Anti-Martingale means we generally do not add to losing positions (“averaging down”). Instead, we prefer to increase position sizes once an initial purchase shows a profit. It is typical to begin with a position of 1.5%, which is then increased to 3% and subsequently to 5% of a typical equity model portfolio. While the average cost of a position will be higher when using an Anti-Martingale method than if the entire position was acquired at once - this method helps to control losses. If the initial purchase rapidly declines in value, only a relatively small part of the portfolio is exposed. This differs materially from “Dollar-cost averaging” where equal dollar amounts of shares are bought over time without regard to purchase price, and “averaging down,” where each subsequent purchase is made at lower levels. At Weatherhelm, our focus on minimizing drawdowns makes Anti-Martingale Risk Management the preferred strategy.

#### Dynamic Rebalancing

In contrast to the Anti-Martingale approach outlined above, in some cases our investment strategies are based upon the concept of Dynamic Rebalancing or “Volatility Pumping.” In this construct, a portfolio of a handful of ETFs is dynamically rebalanced when one of the holdings gets to be a certain percentage above or below target- outside of a “rebalance band.” This strategy allows us to “buy low and sell high” on incremental pieces of the positions generating an additional source of return that actually *benefits* from volatility. Because the ETFs used in the strategy represent broad based indices or commodities, the additional return that may be generated by Volatility Pumping is not subject to idiosyncratic risk and therefore provides a useful complement to the Anti-Martingale strategy used in our single stock portfolios.

#### Modern Portfolio Theory

Modern Portfolio Theory (“MPT”)<sup>12</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

<sup>12</sup> The “Portfolio Theory” was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950’s and on into the 70’s. Along the way, his theory became known as the “Modern Portfolio Theory”. Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.



### Tactical Allocation Modeling

Tactical asset allocation is a dynamic investment strategy that actively rebalances a portfolio allocation mix to take advantage of short-term market pricing anomalies or strong market sectors. See *Dynamic Rebalancing, infra*.

### Capital Asset Pricing Model ("CAPM")

CAPM<sup>13</sup> is a model for pricing an individual security or portfolio and its relationship to an expected return to help calculate investment risk and what the return on an investment should be expected.

### Sharpe Ratio Measurement

A Sharpe Ratio<sup>14</sup> is a risk-adjusted measure of return often used to evaluate the performance of a portfolio. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility. At Weatherhelm we often refer to the Sharpe Ratio of a portfolio as an indicator of its relative risk/reward characteristics and will prefer strategies with higher Sharpe Ratios (i.e., more reward with less risk).

### Individual Bond Portfolios

The primary investment objective of our bond management strategy is to produce a stable rate of current income, consistent with long-term preservation of capital. This objective is met by investing in single issue fixed-income, investment grade securities, including U.S. government obligations, corporate bonds, taxable and tax-exempt municipal bonds and, when appropriate, U.S. Treasury Bills and FDIC Insured Certificates of Deposit. A secondary objective is to take advantage of opportunities to realize capital appreciation by investing in bonds which we believe may rise in value. Often these scenarios involve so called "split-rate" bonds which are rated investment grade by one rating agency and below investment grade by another. We will evaluate the bond portfolio's performance using the appropriate index as a benchmark, along with regular evaluations in regard to duration (interest rate sensitivity), industry and sector weightings, convexity, and yield to maturity, liquidity and quality - the key factors that determine fixed income market performance.

Due to the OTC nature of the fixed income markets and resultant liquidity and pricing concerns, all individual bond portfolios are built on an issue-by-issue basis in each client account depending on the relative value of bonds available at the time the portfolio is established. Existing bond holdings are typically managed on an issue-by-issue basis across all client portfolios. Orders are often aggregated across client accounts to secure better liquidity and pricing.

### Use of Listed Options<sup>15</sup>

Our use of listed options is a key differentiator of Weatherhelm portfolios. While options, as derivatives, often are unfairly labeled as "risky" investments, we feel that options - when used properly - are a vehicle to provide superior risk adjusted returns. We employ options to limit downside risk while capturing upside gains and NEVER sell uncovered options. Our typical option strategies are described below:

<sup>13</sup> Capital Asset Pricing Model is the work of financial economist William Sharpe and introduced in his book "Portfolio Theory and Capital Markets" published in 1970 by McGraw-Hill. Mr. Sharpe expanded Modern Portfolio Theory to include two types of risk: Systematic Risk and Unsystematic Risk. Mr. Sharpe won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with Harry Markowitz.

<sup>14</sup> Nobel laureate and economist William F. Sharpe developed the Sharpe Ratio.

<sup>15</sup> Prior to any option trading activity, you will receive the "Characteristics and Risks of Standardized Options" produced by the Chicago Board Options Exchange. It is mutually understood between you and us, that you have read this document prior to engaging us to perform option trading activities. The "Characteristics and Risks of Standardized Options" thoroughly explain the risks and rewards associated with option trading.



- ❖ **Covered Call** - An investor who buys or owns stock and writes call options in the equivalent amount can earn premium income without taking additional risk. The premium received adds to the investor's bottom line regardless of outcome. It offers a small downside "cushion" in the event the stock slides downward which can also be used to provide additional income.
- ❖ **Cash-Secured Put** - The cash-secured put involves writing a put option and simultaneously setting aside sufficient cash to purchase the security in question should the option be exercised. The goal is to earn income in the form of option premium while waiting for the possibility of acquiring the stock below today's market price. A feature of the cash-secured put is that the total value at risk will always be less than an outright purchase.
- ❖ **Index Put Option Purchase** - One of the most common strategies at Weatherhelm is to hold a portfolio of individual stocks that we expect to outperform the market as a whole while purchasing a like amount of out-of-the-money Index Put Options. This strategy gives up a bit of upside in the form of insurance premiums on the Index Puts but helps to protect the portfolio against sharp and severe drawdowns.
- ❖ **Stock Replacement** - In certain circumstances, we may seek to gain exposure to a particular stock or ETF by purchasing call option contracts on that security rather than by buying the security itself. This strategy can provide leveraged exposure to a desired security with relatively limited downside risk as losses are limited the amount of premium spent for the options while the upside potential of such trades may be many times the premium invested. The relative risk of this strategy vs. an outright purchase is that the security in question fails to move in any direction for a period of time while the options decay in value and any dividends that would have been earned by owning the underlying security are foregone.
- ❖ **Option Spreads** - At times, when market conditions dictate, we may employ other option spread strategies such as Calendar Spreads, Verticals, Collars, and our so-called "Weatherhelm Spread" where we sell an out-of-the money put or call spread to buy a similarly priced call or put. In all cases we do not sell naked options (i.e., we never enter into option positions with unlimited downside risk.).

### Use of Complex ETFs<sup>16</sup>

We do not use leveraged and inverse ETFs; however, we do use some ETFs that are deemed "Complex Exchange-Traded Products" by our custodian. Typically, this is because they use financial derivatives and debt instruments to create exposure to their underlying index or asset class which may include FX currency indices, commodities, or volatility-linked indices such as the CBOE Volatility Index (VIX). Before agreeing to our investment management services, you should consider the following risk disclosures.

#### Complex ETFs:

- ❖ Are volatile products that have the potential for significant loss of principal and are not appropriate for all investors. **Investors should consider their financial ability to afford the potential for a significant loss.**
- ❖ May be more volatile under certain market conditions. **Investors holding complex ETFs over longer periods of time should monitor those positions closely due to the risk of volatility.**
- ❖ Use a variety of derivative products in order to seek their performance objectives. **The use of complex in ETFs can magnify any price movements, resulting in high volatility and potentially significant loss of principal.**

<sup>16</sup> Prior to any trading using Complex ETFs, you will be provided a "Risk Disclosure Regarding Complex or Leverage Exchange-Traded Products" pamphlet that you will confirm you received, read and understand the risks associated with Complex ETFs.



- ❖ May suffer losses even though the benchmark currency, commodity, or index has increased in value. **Investment returns of complex ETFs may not correlate to price movements in the benchmark currency, commodity, or index the ETF seeks to track.**
- ❖ Some complex ETFs may have a low trading volume, which could impact an investor's ability to sell shares quickly.
- ❖ May be less tax efficient. As with any potential investment, an investor should consult with his or her tax advisor to understand the tax consequences of complex ETFs.

## Managing Risk

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The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate (Duration) Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Credit Risk** - This is the risk that the issuer of a bond may no longer be able to meet its ongoing obligations and require bankruptcy or restructuring. In this case the market will often anticipate this possibility and the value of bonds will decrease in value.
- ❖ **Equity (Systematic) Risk** - Equity risk is the risk that the value of your stocks will depreciate due to market dynamics causing a decline in stock prices such as the business cycle, economic, geo-political and exogenous shocks.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in international securities can be affected by changes in exchange rates.
- ❖ **Liquidity Risk** - The risk that a particular security may not be able to be sold quickly at a fair price. For example, preferred stocks are higher in the capital structure than common stocks but often trade much less. Holding securities with lower trading volumes can cause losses in times of market distress.
- ❖ **Inflation Risk** - The risk to a reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list but are the most common risks your portfolio will encounter. Regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.** Unless otherwise specified, investments managed by Weatherhelm are NOT guaranteed, NOT federally insured, and MAY lose value.

## Retirement Plan Services

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Our methods of analysis, investment strategies and managing risk will, for the most part, follow what we have disclosed above for investment management; except that, we are bound to the investment objectives as outlined in the retirement plan's Investment Policy Statement and to the type of investments allowed by the custodian and recordkeeping platform.



Investments are limited to mutual funds, ETFs, and in some cases, advisor managed models and self-directed brokerage accounts.

The focus of our selecting, monitoring, and replacing investments on the plan platform is to **balance investment return and risk, with the emphasis on spreading risk among asset classes**. We will perform an evaluation and review of current/prospective investments to determine which investments to include and/or to leave on the plan platform as well as when to replace existing investments.

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Insurance Company Activities & Affiliations

Certain affiliated persons are licensed as life and annuity insurance agents in their states of residence and as non-resident agents in other states. As agents, these persons are licensed to sell insurance-related products and earn commissions from the sale of these products. A conflict of interest can potentially occur when these management persons, as trusted advisors managing your portfolio for a fee, recommend you purchase an insurance product in which they will earn a commission. This can create a situation of divided loyalty and the objectivity of the advice rendered could be subjective and create a disadvantage to you. In practice, our policy at Weatherhelm is to recommend those insurance products which are in your best interest without consideration of the commission earned, if any.

Therefore, keep in mind you are under no obligation to accept these persons recommendations to purchase insurance related products. **You are free to reject their recommendation** or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.

For further information on potential conflicts and economic benefits from these management persons activity as insurance agents, see “Financial Planning Compensation” below under Item 14, “Client Referrals & Other Compensation” of this Brochure.

### National Futures Association Activities & Affiliations

J. Clark Kastner, the Managing Member of the Company, is also a Registered Principal and Associated Person (“AP”) of Weatherhelm Futures, LLC, “Weatherhelm Futures,” a National Futures Association (“NFA”) Independent Introducing Broker (NFA ID #0552777) with registration pending as of the date of this Disclosure Brochure.

Through Weatherhelm, LTD., a family holding company, Mr. Kastner owns 25% of Weatherhelm Futures, and holds the title of Managing Director, and serves as its Chief Compliance Officer and Board Treasurer. Mr. Kastner's obligations with Weatherhelm Futures are structured so as to require less than 10% of his time during market hours.

As an Introducing Broker, Weatherhelm Futures provides listed futures and futures options execution services to institutional clients. Weatherhelm Futures does not execute orders for Weatherhelm Capital Management clients. To mitigate potential conflicts of interest,



Weatherhelm Capital Management and Weatherhelm Futures operate independently and have no clients in common.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code; and,
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Insider Trading Policy

We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

#### Class Action Policy

The Company **does not elect to participate** in class action lawsuits on your behalf. Such decisions shall remain with you or with an entity you designate. However, if you have specific questions, you may contact us, and we will help explain the particulars. Keep in mind, any final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with you.





## Personal Trading

Associated persons are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Sometimes, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made, at or about the same time, in an associated person's account. This practice can create a conflict of interest as our employees may benefit from the sale and purchase of those securities. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No associated person acting as an Investment Advisor Representative ("IAR"), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her association, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. Our Chief Compliance Officer reviews securities holdings for all our access persons on a regular basis.
3. We require that all associated persons act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Aggregating Trade Orders" below under Item 12, "**Brokerage Practices**") may include associated person accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact your security or create conflicts of interest.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

The Company maintains a custodial relationship with Interactive Brokers, LLC ("IB"), a licensed registered broker-dealer (member NYSE/FINRA/SIPC), through their Institutional division for investment advisors. IB offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with IB has no direct correlation to the services we receive from IB and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with IB that are typically not available to IB retail clients. This creates an incentive for us to recommend IB based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations.
- ❖ Research related products and tools and consulting services.
- ❖ Access to a dedicated trading desk.
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts).
- ❖ The ability to have advisory fees deducted directly from accounts.
- ❖ Access to an electronic communications network for order entry and account information; and,



- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

We are not a subsidiary of, or an affiliated entity of, IB. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from IB.

### Direction of Transactions and Commission Rates (Best Execution)

We have a fiduciary duty to put your interests before our own. The advisory support services we receive from IB creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with IB may have been influenced by these arrangements/services. **This is not the case;** we have selected IB as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with IB staff.

Since we do not recommend, suggest, or make available a selection of custodians other than IB, best execution may not always be achieved. Therefore, **you do not have to accept our recommendation to use IB as your custodian.** However, if you direct us to use another custodian, we may not be able to provide you complete institutional services and such service may cost you more in transaction fees.

### Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we typically bunch (aggregate) orders for a block trade when: (i) the bunching of orders is done for the purpose of achieving best execution; and (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition, preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

Your investment strategies and investments are monitored by J. Clark Kastner and reviewed on an on-going basis by the Investment Advisor Representative (“IAR”) overseeing your account. The general economy, market conditions, and/or changes in tax law can trigger more frequent





reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from Interactive Brokers, LLC (“IB”) where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values.

You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. **It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.**

### Financial Planning Reviews

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The IAR who prepared your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes** to us so that the appropriate adjustments can be made.

### Retirement Planning Reviews

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#### Performance Reports

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On a periodic basis, the plan sponsor and named fiduciary will be given a written performance evaluation of the investment(s) (herein called the Performance Report). The Performance Report reviews the performance of the retirement plan expressed by various modern portfolio statistics that compare the performance of the investment funds to the guidelines called for by the Investment Policy Statement. The Performance Report provides historical and comparative information, and may not be relied upon as predictive of future performance.

#### Regular Reviews

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Performance data for all client accounts will be reviewed on at least an annual basis by Mr. Kastner, with respect to their overall performance in achieving the desired objectives of the plan sponsor’s Investment Policy Statement.

The review is directed to whether the accounts’ performance and discipline is consistent with the intent and objectives of the Investment Policy Statement. We will provide information to facilitate comparisons of the accounts’ overall performance against benchmarks described in the Plan’s Investment Policy Statement.

## CLIENT REFERRALS & OTHER COMPENSATION

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### Referral Compensation

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We do not receive any economic benefit from an independent party for managing your account(s). In addition, we do not compensate persons/firms for client referrals.



## Other Compensation (Indirect Benefit)

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The Company receives an indirect economic benefit from Interactive Brokers, LLC (“IB”) (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on what these services and products could be.)

## Financial Planning Compensation

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As previously mentioned, certain affiliated persons are licensed insurance agents (See Item 10, “**Other Financial Industry Activities & Affiliations**” for more information.). This can create a conflict of interest when recommending for a fee, through a financial plan, that you purchase an insurance product where they can also earn a commission.

There are also potential conflicts of interest when these affiliated persons suggest need for outside consultations and professional services (i.e., attorneys, accountants, brokers, etc.) to implement certain aspects of an estate or financial plan. Even though they do not share in any fees earned by the outside professionals when implementing a financial plan, it does create an incentive on their part to refer your business to only those entities that may in turn refer potential clients to us.

In both cases, there is potential for divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- ❖ Certain aspects of a financial plan require the assistance of a Registered Representative of a broker-dealer to execute the transaction. In this situation regardless of who performs the transaction(s), **such person will be entitled to earn a commission.**
- ❖ If requested by you to implement any insurance recommendations made in the financial plan, that affiliated person will execute such transactions through those insurance companies in which they are licensed insurance agents. In such cases, **they will receive the normal commissions associated with such insurance transactions.**
- ❖ You are under no obligation to have any professional that we recommend prepare planning documents (i.e., financial, estate, tax, etc.). **You are free to choose those outside professionals to implement the recommendations made in the financial plan.**
- ❖ You are under **no obligation to accept** the affiliated person’s advice and purchase the insurance products they recommend. **You are free to reject their recommendation and make your own choice.**

Notwithstanding such potential conflicts of interest, we strive to serve your best interest and ensure such disclosure is being properly made to you in compliance with the Investment Advisers Act of 1940, Rule 275.206.

## Retirement Rollover Compensation

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Earning a management fee from recommending the rollover of retirement plan assets to an IRA we manage is considered “self-dealing” and prohibited unless we comply with the Prohibited Transaction Exemption (“PTE”) 2020-02, “Improving Investment Advice for Workers & Retirees” exemption issued by the Department of Labor. The DOL considers earning a management fee “self-dealing” because it increases our compensation and profits while potentially disregarding the underlying costs paid by, and the services provided under, the retirement plan that might be more beneficial to you should your retirement assets remain with the plan. Therefore,



when it comes to your retirement assets, there are typically four options you should consider when leaving an employer:

- ❖ Leave the account assets in the former employer's plan, if permitted.
- ❖ Rollover the assets to the new employer's plan if one is available and rollovers are permitted.
- ❖ Rollover the account assets to an Individual Retirement Account (an "IRA"); or,
- ❖ Cash out the retirement account assets (There may be tax consequences and/or IRS penalties depending on your age.).

Should you approach us to advise you on which option would be the best for your situation, we have an economic incentive to recommend you rollover your retirement account to a managed IRA account with us where we would earn a management fee on the assets. This can create a conflict of interest and the objectivity of the advice we render subjective and a disadvantage to you. Therefore, if we recommend you rollover your retirement account to an individually managed IRA account, you are under no obligation to engage us to manage your assets. You are free to take your account anywhere.

## CUSTODY

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### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall typically be maintained with Interactive Brokers, LLC ("IB") as indicated above in Item 12, "Brokerage Practices."

IB is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from IB to verify the accuracy and correctness of our reporting.**

## INVESTMENT DISCRETION

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We have you complete our Investment Advisory Contract ("IAC"), which sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

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**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. Interactive Brokers, LLC ("IB"), the custodian of your managed accounts, will mail you all proxy solicitations. Any proxy



solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

If you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us, and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

## FINANCIAL INFORMATION

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We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, the Company has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

**END OF DISCLOSURE BROCHURE**