



WEALTHWATCH
A D V I S O R S

ZEGA Financial Disclosures & Fee Schedule Supplement

Required for accounts invested in:

ZEGA Financial Option & Margin Investment Models

November 5, 2024

**8310 South Valley Highway
Suite 107
Englewood, CO 80112
(855) 822-3708**

wealthwatchadvisors.com

ZEGA Financial Model Disclosures

The purpose of this form is to outline the unique principles and risks of options trading in relation to the option and margin trading investment models managed by ZEGA Financial, as well as the higher management cost. Advisors and Clients of Wealth Watch Advisors, Inc. must sign this document to acknowledge agreement and understanding of the content included in this form before trades will be approved by Wealth Watch Advisors staff.

Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. However, option investing can also be used to protect investment capital when used as a hedging strategy which is the approach primarily deployed by ZEGA Financial when using Options. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date").

The two types of options are calls and puts: A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier. The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.

- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include:

- Market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks as stock options are a derivative of stocks.

All Client accounts invested in an option and margin ZEGA Financial investment model are required to trade in a separate and standalone account at Charles Schwab that is not comingled with any other model management. Comingling multiple option and margin ZEGA Financial models in the same account is not permitted. Clients and Advisors also understand that extra custodial paperwork is required when investing with option and margin models through ZEGA Financial as compared to other models.

All Clients invested in an option and margin ZEGA Financial model understand the risks of options trading. All Advisors recommending option and margin ZEGA Financial models to Clients understand the risks of options trading. Wealth Watch Advisors, Inc. and their affiliates will deliver trade requests to ZEGA Financial for execution directly by ZEGA Financial. The speed at which trade requests are fulfilled may differ from the normal timeline of trading other models offered by Wealth Watch Advisors, Inc. All trade instructions and possible corrections will be executed within the confines of the options trading rules enforced by ZEGA Financial.

Fee Schedule Supplement

Pursuant to Section 3 of the Firm Brochure ADV Part 2A, this Agreement establishes a higher than standard fee on all Client accounts invested in option and margin ZEGA Financial investment models. Any client account invested in said models is subject to a maximum annual management fee of 2.02% and a minimum of 1.02%, due to the higher manager costs established by ZEGA Financial in connection to these models.

The maximum and minimum fees unique to the option and margin ZEGA Financial models are outside of the standard maximum and minimum fees for all other available investment models. Any client account *not* invested in an option and margin ZEGA Financial model, or any other specialty model, are subject to the standard maximum annual management fee of 1.95% and a minimum of 0.77%.

All Client accounts invested in the option and margin ZEGA Financial models do not qualify for the Wealth Watch Advisors' Fee Discounts outlined in Section 3 of the Firm Brochure ADV Part 2A and Attachment A Fee Schedule of the Investment Advisory Agreement due to the higher manager costs associated with the models.

All Client accounts invested in the option and margin ZEGA Financial models are required to trade this model in a separate and standalone account at Charles Schwab that is not comingled with any other model management due to the unique options trading within the accounts. For the same reason, multiple option and margin ZEGA Financial models are not permitted to be comingled together and must be invested in separate accounts.

Clients and Advisors are required to sign the standard Investment Advisory Agreement to invest an account under Wealth Watch Advisors, with the overall fee listed constrained by the standard maximum and minimum fee as described above. The details and conditions outlined within the Investment Advisory Agreement always apply to every client account. This Fee Schedule Supplement shall serve only as an addendum to the Investment Advisory Agreement, with any updates herein being exclusively connected to the allowable fees associated with accounts specifically invested in the option and margin ZEGA Financial models and is required for any account invested in said model. The fee schedule within the Investment Advisory Agreement will establish a fee schedule for all household client accounts *not* invested in the option and margin ZEGA Financial models. Accounts that are *not* associated with the option and margin ZEGA Financial models will not be charged a higher fee beyond the standard maximum.

In accordance with Section 8, the annual fees charged to the Client's account will be based on the average daily balance of all assets held in the Client's account. The Advisor and the Orion/Taiko billing system relies upon the custodian, Charles Schwab, for the asset valuation.

Client accounts will be established as Non-Wrapped Transaction Based Pricing accounts ("Non-Wrap TBP"). Transaction fees will be charged directly to the Client account by the custodian. Charles Schwab does not charge any fees for transactions on equities, ETFs, NTF mutual funds, or cash. The custodian can provide a fee history upon written request.

For services described in the Agreement, the total fees charged to a Client's account shall not exceed 202 basis points (2.02%). The Initial overall fee selected by the Advisor **for the ZEGA Financial option and margin trading account:**

Fees are calculated based on the average daily balance at the custodian starting on the date an account is funded. All assets held within the custodial account are subject to fees at the total rate listed above.



Mutual funds and exchange traded funds also charge internal management fees, as disclosed in a fund's prospectus, which are separate and distinct from the above fees. Additional fees and expenses may be incurred if Client uses Advisor's services to manage assets within a variable annuity. These additional charges are described in the annuity's prospectus and application. The above fees are separate and distinct from brokerage commissions, transaction fees, and other related costs and expenses.

After reviewing the information contained in this disclosure and discussing it with my Investment Advisor Representative, I understand and agree that the option and margin ZEGA Financial models are fundamentally different from other investment choices available through Wealth Watch Advisors, Inc., and it has been determined that said investment models are appropriate for my financial situation.

Client Signature(s)

I acknowledge that I have read, understand, and agree with all terms within each of the four pages of this legally binding document.

*Client Printed Name**Client Signature**Date Signed*

*Client Printed Name**Client Signature**Date Signed***Investment Advisor Representative "IAR" Signature**

I acknowledge that I have read, understand, and agree with all text within each of the four pages of this legally binding document. I hereby agree to act in accordance with all sections of this agreement, the WWA ADV 2B, and in a fiduciary capacity.

*IAR Printed Name**IAR Signature**Date Signed***Wealth Watch Advisors, Inc. Signature**

William Gastl

*Chief Operating Officer, Wealth Watch Advisors, Inc.**Signature*