

FOLIOTRAXX, LLC

FIRM BROCHURE
(ADV PART 2A)

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This brochure provides information about the qualifications and business practices of FolioTraxx, LLC. If you have any questions about the contents of this brochure, please contact us at www.foliotraxx.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

FolioTraxx, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about FolioTraxx, LLC is available on the SEC's website www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 167265.

2. MATERIAL CHANGES

The firm does not have any material changes to report at this time. In the future, this Item will discuss only specific material changes that are made to this Brochure and provide clients with a summary of such changes. The firm will also reference the date of our last annual update of our brochure.

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4. ADVISORY BUSINESS

A. OWNERSHIP/ADVISOR HISTORY

FolioTraxx, LLC (“FolioTraxx” or “the firm”) is owned by Michael Bolotski and Jeremy De Bonet. It was formed as a Delaware Limited Liability Company in June 2012 and subsequently registered as an internet only investment adviser in 2013.

B. ADVISORY SERVICES OFFERED

FolioTraxx is a registered investment adviser that provides portfolio management services for client’s taxable accounts, IRAs, and employer related qualified plans. The service is offered through FolioTraxx’s interactive website, www.foliotraxx.com. The firm’s clients take an online questionnaire that measures their risk tolerance, investment goals and investment objectives. It may also gather other information about the client such as investment experience, household income, age, investable assets, etc. The client’s answers are used to formulate a recommended allocation in one or more of the firm’s portfolios. The client has the option of receiving the recommendation by email and executing the transactions themselves, or having FolioTraxx execute the transactions in the client’s account.

C. TAILORED SERVICES

FolioTraxx’s Portfolio Management Services are tailored to the goals of each portfolio. As a result, the firm does not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account.

D. WRAP PROGRAM

FolioTraxx does not sponsor a wrap program. This section is not applicable.

E. CLIENT ASSETS MANAGED

Being a newly formed investment adviser, FolioTraxx does not manage any client assets on a discretionary or non-discretionary basis.

5. FEES AND COMPENSATION

A. ADVISORY SERVICES

There are two types of portfolio management services, with differing fees. Fees for executing transactions in the client’s account are \$120 per year per account. Fees for receiving emailed recommendations are \$12 per year. Fees will be due upon signing up for the service through the website. Fees are not deducted from client accounts, but are charged separately to credit cards.

FolioTraxx may impose a slight surcharge of no more than \$1 per month if the client selects monthly billing. Further, FolioTraxx may opt to waive client fees for small accounts of under \$10,000.

In addition to the firm’s portfolio management fee, the client may also incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, custodial fees,

brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the account which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. FolioTraxx does not receive any portion of these charges.

Termination of Selection and monitoring Services

A client may terminate this service for any reason within the first five (5) business days after signing the separate investment advisory contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving ten (10) days written notice to the firm via the website at www.foliotraxx.com, *by email at support@foliotraxx.com*, or by mail at FolioTraxx, LLC, P.O. Box 31664, Seattle, WA 98103. Upon notice of termination, fees will be prorated based upon the number of days that services were rendered during the termination month and any excess fees will be refunded to the client.

6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

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

7. TYPES OF CLIENTS

FolioTraxx's services are offered to individuals. The Firm does not require a minimum account size to become a client.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

FolioTraxx offers online questionnaires and tools on its website based on mathematical calculations to help clients determine the appropriate amount of assets to allocate to an investment strategy. The recommended allocation may vary depending upon each client's individual financial situation. As such, recommendations to clients for asset allocation is based on mathematical calculations related to the information provided by the client that includes risk tolerance, time horizon, net worth/financial information, and various other suitability factors.

When trading the client's account, FolioTraxx uses automated strategies that in general combine investments in domestic and foreign stocks, bonds, real-estate investment trusts, as well as possibly commodities through diversified exchange-traded or mutual funds with active risk management that attempts to decrease losses in falling markets. The risk management approach uses trend-following techniques that exit and re-enter an asset class when its smoothed price history crosses one or more longer-term moving averages. When a security representing an asset class is sold, the proceeds can be deployed into cash or cash equivalents such as short-term Treasury bonds, or into other asset classes, depending on the selected strategy.

While trend following strategies are intended to reduce the possibility of a very large and protracted decline in portfolio value, they do not eliminate all risk. It is possible for trend following strategies to suffer from small frequent losses in the situation of short-term market volatility. This disadvantage is usually more than compensated for by the strategies' ability to reduce the impact of bear markets.

B. RECOMMENDED SECURITIES AND THEIR RISKS

FolioTraxx limits its recommended securities to diversified index funds, either exchange-traded funds (ETFs) or mutual funds. FolioTraxx does not recommend individual stocks. When FolioTraxx recommends allocations for a client's qualified plan, it limits recommendations to those securities available in the plan, which are typically mutual funds.

FolioTraxx recommends that clients consult the prospectus of each ETF or mutual fund for additional risks and other considerations.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Obtaining higher rates of return on investments entails accepting higher levels of risk. Clients need to ask questions about risks they do not understand. As registered by the SEC as an Internet advisor, the firm cannot discuss the specifics of a client account. However, the firm would be pleased to explain the general risks of different investment types or its strategies.

FolioTraxx strives to render its best judgment on behalf of its clients. Still, it cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The firm continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio. The client's account performance could be hurt by:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Systemic risk:** The chance that an event can trigger a collapse in a certain industry or the economy and cause assets prices to fall sharply.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the client, depending on the amount of client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Active management fees risk:** Active management strategies that involve frequent trading generate higher transaction costs that diminish the portfolio's return. In addition, the short-term

capital gains resulting from frequent trades often have an unfavorable income tax impact when such funds are held in a taxable account.

- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.
- **Terrorism Risk:** The chance that domestic and international stock prices will decline due to a terrorist event.
- **Political Risk:** The chance that a change in government may affect stock prices of domestic or international stocks.
- **Natural Risks:** The chance that a natural catastrophe (earthquakes, hurricanes, etc.) may affect stock prices of domestic or international stocks

9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Firm or the integrity of its management. FolioTraxx has no information applicable to this Item because it and its management has not been the subject of any administrative, civil, criminal or self-regulatory proceedings.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

FolioTraxx has no other industry affiliations. This section is not applicable.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. DESCRIPTION

FolioTraxx's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

FolioTraxx's Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Firm must acknowledge the terms of the Code of Ethics annually, or as amended.

B. MATERIAL INTEREST IN SECURITIES

FolioTraxx, its owners and investment adviser representatives do not have a material interest in any securities.

C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES

It is FolioTraxx's policy to encourage and allow owners and investment adviser representatives to invest in the firm's investment strategies. FolioTraxx believes its employees should bear the same risks as its clients. The firm attempts to mitigate the conflict of interest to the best of its ability through the enactment of a Code of Ethics, trading policies, and its fiduciary responsibilities. Nonetheless, the firm generally attempts to place client transactions ahead of the owners and investment adviser representatives' trades. The associates of the firm are aware of their fiduciary duty to their clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be kept by the firm, available to regulators to review on the premises. However, since FolioTraxx only recommends large, diversified ETFs and mutual funds, FolioTraxx believes that employee trades are unlikely to have material impact on prices obtained by clients.

12. BROKERAGE PRACTICES

FolioTraxx does not recommend brokers to clients. The firm will work with the client's qualified plan custodian in the case of qualified accounts, and with the client's existing brokerages for other types of accounts.

13. REVIEW OF ACCOUNTS

A. PERIODIC REVIEWS

FolioTraxx's software reviews client accounts frequently, at least once per week, and more frequently if possible. The software may alert the client if immediate action is required. One of FolioTraxx's owners, Michael Bolotski, will periodically review a sample of client accounts to confirm that the software is functioning correctly.

FolioTraxx does not offer review meetings between clients and human advisors. Instead, clients receive periodic review reports via email, at least annually.

B. OTHER REVIEWS

Additional reviews are conducted periodically depending on market conditions, economic or political events, or changes in a client's financial situation that are reported by the client (such as retirement, termination of employment, physical move or inheritance).

C. REPORTS

Clients receive at least quarterly statements from their custodian. FolioTraxx urges clients to carefully review such statements.

14. CLIENT REFERRALS AND OTHER COMPENSATION

The firm does not receive extra compensation or any other economic benefit for providing investment advice or other advisory services to clients. The firm does not pay for client referrals or use solicitors. From time to time, the firm may offer incentives such as fee reduction to new clients referred by existing clients. No cash incentives, direct or indirect are offered to the referring client.

15. CUSTODY

FolioTraxx will have custody over discretionary client accounts. Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. FolioTraxx urges each client to carefully review such statements.

16. INVESTMENT DISCRETION

FolioTraxx's Portfolio Management Services are offered on a discretionary and non-discretionary basis. When the firm has discretionary authority it is obtained by the client signing an investment management agreement that includes a limited power of attorney. The agreement allows the firm to buy and/or sell securities that the firm has selected and in the amounts the firm deems suited to the agreed upon portfolio structure. It also allows the firm to place each such trade without the client's prior approval.

With non-discretionary investment management services, the client will retain full discretion to supervise, manage, and direct the assets of the account. FolioTraxx will inform the client of a recommended trade via email. However, the client will be responsible for executing any trades. Essentially, the client will be free to manage the account with or without the firm's recommendation and all with or without the firm's prior consultation.

17. VOTING CLIENT SECURITIES

FolioTraxx will not be responsible for responding to proxies of securities held in clients' accounts. FolioTraxx does not plan to receive any proxy solicitation materials from client accounts. The client should direct all proxy questions to the issuer of the security.

18. FINANCIAL INFORMATION

A. BALANCE SHEET

FolioTraxx does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, this section is not applicable.

B. FINANCIAL CONDITION

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about FolioTraxx's financial condition. It does not have a financial commitment that impairs its ability to service its clients.

C. BANKRUPTCY

FolioTraxx, its owners and its investment adviser representatives have not been the subject of a bankruptcy proceeding.