

# BITS

## Firm Brochure - Form ADV Part 2

*This brochure provides information about the qualifications and business practices of Bits, an EMCEE INVEST, INC company. If you have any questions about the contents of this brochure, please contact us by email at: [Support@emceeinvest.com](mailto:Support@emceeinvest.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.*

*Additional information about Bits is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). EMCEE INVEST, INC's CRD number is: 2977589*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure. Material changes related to Bits are policies, practices or conflicts of interests only.

## Item 3: Table of Contents

### Table of Contents

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

EMCEE INVEST, INC. is a corporation organized in the state of Delaware. This firm was formed in 2017, and the principal owner is EMCEE INVEST, INC. The majority owner of EMCEE INVEST, INC. is Arash Asady.

### B. Types of Advisory Services

Bits (hereinafter "BITS") offers the following services:

#### *Bits Acts a sub-adviser to a Primary RIA*

BITS acts as a sub-adviser for EMCEE INVEST, INC. BITS provides an investment platform and has agreements with publicly traded companies/merchants that the Primary Registered Investment Adviser selects for its clients to earn shares of the publicly traded company's/merchant's stock when qualified purchases are made with a debit or credit card that is connected to a Client's BITS account.

#### *Research*

BITS will also provide research to the Primary Registered Investment Adviser, Mutual Funds, and investment related corporations. These services are based on fixed fees and the final fee structure is documented in the contract between the professional purchaser and BITS.

#### *Services Limited to Specific Types of Investments*

BITS generally limits investment advice and platforms to equities.

### C. Client Tailored Services and Client Imposed Restrictions

BITS provides access to the same equities to all of its RIA Clients. BITS also provides the same level of access to its research Clients commensurate with the Clients' purchase contract.

### D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. BITS does not participate in or sponsor any wrap fee programs.

## **E. Assets Under Management**

BITS has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$0.00	\$0.00	04/11/2019

For research clients, BITS does not directly manage client accounts and, does not currently have any regulatory assets under management. However, BITS may be compensated based on the total assets under management that the Primary RIAs place in its platforms and models. BITS's only reportable assets under management will come from its sub-advisory services to other RIA firms.

## Item 5: Fees and Compensation

### A. Fee Schedule

Fee Name	BITS Fee
Account Fee	\$0
Maintenance Fee	\$0
Trading Fee or Commission	\$0
Standard Legal Transfers	\$0
Account Closure Fee	\$0

Total Assets Under Management	Annual Fee
All Assets Under Management	0%

These fees are non-negotiable. Fees are paid quarterly or monthly, in advance or in arrears, and Clients may terminate their contracts with 30 days' written notice. For fees that are charged in advance, refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Since 30 days written notice is required there should be no monthly fee refunds.

### B. Clients Are Responsible For Third Party Fees

Depending upon the Primary RIA's relationship with their clients, clients may be responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by BITS. Please see Item 12 of this brochure regarding broker/custodian.

### **C. Outside Compensation For the Sale of Securities to Clients**

Neither BITS nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

BITS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a Client.

### **Item 7: Types of Clients**

BITS generally provides investment advice and management supervisory services to other Registered Investment Advisers and individual Clients.

#### ***Minimum Account Size***

There is no account minimum.

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

#### **A. Methods of Analysis and Investment Strategies**

##### ***Methods of Analysis***

BITS's will primarily utilize Quantitative analysis but may also use other analysis methods, including Fundamental analysis as needed to assess which companies BITS will allow to be merchants that can participate in the BITS Stock Rewards Program.

**Quantitative analysis** involves the analysis of past market data; primarily price and volume.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

### *Investment Strategies*

BITS will utilize long term trading and short term trading strategies.

**Investing in securities involves a risk of loss that the Primary RIA and its Clients should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

**Quantitative analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

### *Investment Strategies*

**Long term trading** is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short term trading** generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that the Primary RIA and its clients should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

BITS generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Long term trading** is designed to capture market rates of both return and risk. Due to

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its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that the Primary RIA and its clients, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither BITS nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer. EMCEE Invest, Inc. the parent company of BITS, is an SEC Registered Investment Advisor.

## **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither BITS nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

## **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

EMCEE Invest, Inc. a sister company and the principal owner of BITS, is a registered Investment Advisor. In the future investment adviser representatives of BITS may be registered representatives of EMCEE Invest, Inc. Even though IARs of BITS may be registered representatives of EMCEE Invest, Inc., there can be no outside commission earned from the sale of the broker-dealer's products or services to BITS's clients. BITS always acts in the best interest of the client.

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

## **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

BITS does not recommend that clients buy or sell any security in which a related person to BITS or BITS has a material financial interest.

## **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of BITS may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BITS to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. BITS will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of BITS may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BITS to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. BITS will always transact client's transactions before its own when similar securities are being bought or sold.

# **Item 12: Brokerage Practices**

## **A. Factors Used to Select Custodians and/or Broker/Dealers**

BITS' partnerships with broker/dealers that participate in the Stock Rewards Program as well as partnerships with Custodians are chosen based on their relatively low transaction fees and access to mutual funds and access to individual securities, ETF's and mutual funds. BITS will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

### ***1. Research and Other Soft-Dollar Benefits***

BITS receives no research, products, or other services from its broker/dealer or another third-party in connection with client securities transactions ("soft dollar benefits").

## ***2. Brokerage for Client Referrals***

BITS receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

BITS will not allow clients to direct BITS to use a specific broker-dealer to execute transactions. Clients must use BITS's recommended custodian (broker-dealer).

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

BITS maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing BITS the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Merchants allowed to participate in the BITS Stock Rewards Program, the BITS platform, and research are reviewed at least monthly by Arash Asady. He is the Chief Executive Officer and Chief Advisor and is instructed to review platform, models, and research with regards to BITS's investment policies. Reviews may be triggered by material market, economic or political events.

### **B. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly, a written report from the custodian that details the client's account including assets held and asset value. BITS will also provide clients written reports on the models and platforms at least quarterly.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

BITS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to BITS clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

BITS does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

BITS does not take custody of Primary RIA client accounts and assets. Nor does BITS take custody of any individual Client accounts.

## **Item 16: Investment Discretion**

BITS does not have discretion over individual end client accounts at any time. However, BITS does maintain discretionary authority over the assets that are part of its allocation models and investments. This will be fully disclosed to BITS' Primary RIA clients and they are responsible for disclosing this fact directly to their individual clients.

## **Item 17: Voting Client Securities (Proxy Voting)**

BITS will not ask for, nor accept voting authority for Primary RIA client securities. Clients will receive proxies directly from the custodian or Primary RIA. Clients should direct all proxy questions to the issuer of the security or their Primary RIA.

## **Item 18: Financial Information**

### **A. Balance Sheet**

BITS does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither BITS nor its management has any financial conditions that are likely to reasonably impair its or their ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

BITS has not been the subject of a bankruptcy petition in the last ten years.

### **D. How Performance Based Fees are Calculated and Degree of Risk to Clients**

BITS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **E. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at BITS has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

### **F. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither BITS, nor its management persons, has any relationship or arrangement with issuers of securities.