

## Item 1. Cover Page

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# Form ADV Part 2A



Last Updated: March 13, 2024

## B.B Graham & Co.

CRD Number: 41533

1700 W. Katella Ave  
Orange, CA 92867  
(714) 628-5200  
(714) 516-3340 (Fax)  
[www.bbgrahamco.com](http://www.bbgrahamco.com)

*This brochure provides information about the qualifications and business practices of B.B. Graham & Co. ("BBG"). If you have any questions about the contents of this brochure, please contact us at (714) 628-5200 and/or via [operations@bbgrahamco.com](mailto:operations@bbgrahamco.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 BBG also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Although BBG may use the term "registered investment adviser" or use the term "registered" through this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.*

## Item 2. Material Changes since Last Update

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The U.S. Securities and Exchange Commission ("SEC") issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative "plain English" format. The final rule specifies mandatory sections and organization and compliance with the Rule is mandatory. All investment adviser registrations must comply with the Rule. Filing via IARD must be made within 90 days of the end of each adviser's fiscal year end.

### **Material Changes since last update:**

- n/a

The Material Changes section of this brochure will be updated annually and/or when material changes occur since the previous release of BBG's Brochure. A summary of changes is necessary to inform clients of any substantive changes to BBG's policies, practices or conflicts of interests so that they can determine whether to review the brochure in its entirety or to contact BBG with questions about the changes.

### **Full Brochure Available**

Clients who would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (714) 628-5200 or by fax (714) 516-3340 or visit our website at [www.bbgraham.com](http://www.bbgraham.com)

## Item 3. Table of Contents

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### Form ADV Part 2A

<b>ITEM 1. COVER PAGE</b>	<b>1</b>
FULL BROCHURE AVAILABLE	2
<b>ITEM 4. ADVISORY BUSINESS</b>	<b>5</b>
PRINCIPAL OWNERS	5
TYPES OF ADVISORY SERVICES OFFERED	5
ASSET MANAGEMENT SERVICES	5
FINANCIAL PLANNING SERVICES	5
APPROVED THIRD-PARTY PROGRAMS	6
TERMINATION OF ACCOUNT	8
WRAP FEE PROGRAM	8
ASSETS UNDER MANAGEMENT	8
<b>ITEM 5. FEES AND COMPENSATION</b>	<b>8</b>
INVESTMENT MANAGEMENT FEES	8
THE ANNUAL ADVISORY AGREEMENT FEE IS NEGOTIATED BASED ON A PERCENTAGE OF THE INVESTABLE ASSETS NOT TO EXCEED 2.99%.	8
FINANCIAL PLANNING FEES	9
<b>ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>	<b>10</b>
<b>ITEM 7. TYPES OF CLIENTS</b>	<b>10</b>
REQUIREMENT FOR OPENING ACCOUNTS (MINIMUM INVESTMENT AMOUNT)	10
<b>ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>	<b>10</b>
<b>ITEM 9. DISCIPLINARY INFORMATION</b>	<b>13</b>
DISCLOSURE EVENTS	13
<b>ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>	<b>14</b>
BROKER/DEALER AFFILIATION	14
INSURANCE PRODUCTS	14
SELECTION OF OTHER INVESTMENT ADVISERS	15
DISCLOSURE OF MATERIAL CONFLICTS	15
<b>ITEM 11. CODE OF ETHICS, PARTICIPATION/INTEREST IN <i>CLIENT</i> TRANSACTIONS AND PERSONAL TRADING</b>	<b>15</b>
CODE OF ETHICS	15
FIRM INTEREST IN CLIENT TRANSACTIONS	16
SALES INTEREST IN CLIENT TRANSACTIONS	16
<b>ITEM 12. BROKERAGE PRACTICES</b>	<b>16</b>
RESEARCH AND OTHER SOFT DOLLAR BENEFITS	16
BROKERAGE FOR CLIENT REFERRALS	16
DIRECTED/RECOMMENDED BROKERAGE	16
AGGREGATION OF CLIENT ORDERS	17
<b>ITEM 13. REVIEW OF ACCOUNTS</b>	<b>17</b>

<b>ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>17</b>
DIRECT/INDIRECT COMPENSATION FOR CLIENT REFERRALS.....	17
<b>ITEM 15. CUSTODY .....</b>	<b>18</b>
<b>ITEM 16. INVESTMENT DISCRETION .....</b>	<b>18</b>
<b>ITEM 17. VOTING CLIENT SECURITIES .....</b>	<b>18</b>
<b>ITEM 18. FINANCIAL INFORMATION.....</b>	<b>18</b>
PRE-PAYMENT OF FEES .....	18
MATERIAL IMPACT OF DISCRETIONARY AUTHORITY.....	18
CUSTODY DISCLOSURE.....	18
BANKRUPTCY DISCLOSURE .....	18
<b>PRIVACY POLICY .....</b>	<b>18</b>
PRIVACY POLICY NOTICE.....	18
<b>BUSINESS CONTINUITY PLAN .....</b>	<b>19</b>
<b>INFORMATION SECURITY PROGRAM.....</b>	<b>20</b>

## Item 4. Advisory Business

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B.B. Graham & Co., Inc. ("BBG") is an SEC registered investment adviser firm and B.B. Graham & Co., Inc. was initially established in 1997 to provide personalized and confidential financial planning and investment management to individuals, pension and profit-sharing plans, trusts, estates, corporations and small businesses (herein referred to as "Client" or "Clients").

Advice is provided through consultation, normally with the investment advisor representative (IAR), meeting with the client and may include portfolio management services.

### Principal Owners

For the purpose of this section, BBG lists its principal owners as any person directly owning 25% or more of BBG as disclosed on Schedule A of Part 1A as of date of the last update filing.

BBG's principal owners are as follows:

- Bruce Graham is a direct owner of BBG with 100% ownership.

BBG is not a publicly held company and no part of BBG is owned by an individual or company through any subsidiaries or "intermediate subsidiaries."

### Types of Advisory Services Offered

#### Asset Management Services

BBG offers Clients investment supervisory advisory services, also known as asset management service, as covered in the Investment Management Agreement where each Client may receive specific investment advisory services, and furnishes investment advice through consultations, normally through independent advisor representatives, for RBC Correspondent Services Accounts and/or approved third-party programs. BBG may assist Client in determining, among other things, suitability, investment objectives, goals, time horizons, and risk tolerances.

#### Financial Planning Services

On more than an occasional basis, some Investment Advisor Representatives of BBG's advisory services may furnish advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services.

Therefore, BBG may also offer Clients financial planning services to include comprehensive or segmented (limited) financial plans, investment plans, and/or individual consultations regarding a Client's financial affairs. The design and implementation of a financial plan may begin with the process of gathering data regarding income, expenses, taxes, insurance coverage, retirement plan information, wills, trusts, investments and/or other relevant information pertaining to a Client's overall financial situation. This information is carefully analyzed taking into account a Client's goals and stated objectives and a series of recommendations and/or alternative strategies will be developed and designed to achieve optimum overall results. Fees for such services will be on a flat fee or an hourly rate.

#### Employer Sponsored Retirement Plan Consulting Services

BBG may provide consultation services to employer-sponsored retirement plans, including, pension, 401(k), and profit-sharing plans with a range of non-fiduciary consulting services including;

General education via on site group enrollment or equivalent client and participant meetings to assist in the education of Plan participants about general investment principles and the investment alternatives under the Plan and websites and/or software tools available to participants. Provide non-discretionary investment advice to plan participants based upon their respective investment goals, objectives, and risk tolerances. Participate in plan oversight committee meetings and provide input and direction relating to the plan operation. Assist the plan with service provider and/or plan design concerns. Communicate with plan providers to resolve such issues. Meet with plan sponsor on a periodic basis to discuss various monitoring reports and recommendations.

### **Acknowledgment of Fiduciary Status under ERISA**

On occasion, the Adviser's investment professionals may recommend rollovers to retirement plan participants, including; (i) from an ERISA plan to another ERISA plan or to an IRA; (ii) from an IRA to another IRA; or (iii) from one type of account to another, such as a commission-based account to a fee-based account.

In such cases, the Adviser's investment professionals would be providing ERISA fiduciary advice when it discusses specific investment products or advice with a client prior to the rollover, and the clients and the Adviser's investment professionals have a mutual understanding that the Adviser's investment professionals will be providing investment advice on a regular basis after the rollover.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest

### **Approved Third-Party Programs**

Portfolio Management services are individually structured to meet each client's particular needs and financial objectives, time horizons, investment sophistication, tax status, and risk tolerance. These guidelines rely on information provided by the client, as analyzed by the advisor.

The firm's representatives will provide selected clients with recommendations on selected investments to establish a portfolio and subsequent individual account supervision. There are no incremental levels of portfolio supervision; in principal, all accounts receive equal supervision, although the composition of any portfolio may require more attention due to market fluctuations.

Recommendations and / or transactions may include a wide range of securities products, using investment strategies as noted in this brochure.

In practice, most or all accounts will be reviewed to some degree on an almost daily basis. Individual accounts will receive at least quarterly reviews and be monitored individually on a more frequent basis as market conditions dictate.

B. B. Graham & Co.'s advisory services offer various programs, including third-party advisory services, through the following programs:

- **Advisor-** An RBC product that is a client directed, non-discretionary advisory program centered on the advice and service financial advisors provide to their clients to purchase no load and load waived mutual funds in addition to other securities.
- **Consulting Solutions-** An RBC product that offers private account management from a choice of top institutional managers on a discretionary basis.
- **RBC Unified Portfolio-** An RBC product that allows clients to hold ETFs, Mutual Funds, and Private account managers in the same account.
- **uMAS-** An RBC program which allows B. B. Graham & Co.'s Advisory services to facilitate a custom fee-based account program. uMAS accounts may be discretionary. Please see the section titled Investment Discretion for more information.
- **Separately Managed Accounts/Envestnet -** The managed account solution provides individual investors with access to some of the leading investment managers. With a separately managed account, investors enjoy direct ownership of the securities in the portfolio. This allows for greater flexibility, more control and tax advantages over other investment vehicles.
- **Unified Managed Accounts/Envestnet-** The Unified Management Account solution enables the Advisor to construct a single portfolio by selecting the specific, underlying investment vehicles and asset allocations. The UMA combines the investment expertise of globally prominent asset managers, ETFs and Mutual Funds into a single portfolio and custodial account. This investment strategy delivers the benefits of a traditional separately managed account in a single fully-diversified portfolio and provides the freedom to choose the best solutions available to suit investor needs.
- **Advisor as Portfolio Manager Accounts/Envestnet-** The Advisor as Portfolio Manager program offers access to portfolios comprised of products chosen directly by the Advisor. These model portfolios are constructed and rebalanced directly by the Advisor.
- **Asset Allocation, Wrap Fee Accounts, and Third-Party Models Access/Envestnet -** comprehensive program support of Envestnet's mutual fund and exchange-traded fund asset allocation and wrap product program. The Third-Party Strategist Program offers individual investors an actively managed portfolio comprised of carefully selected mutual funds or exchange-traded funds managed by independent management firms.
- **AssetMark-** AssetMark, Inc. ("AssetMark") is a registered investment adviser with the Securities and Exchange Commission (SEC) and provides consulting services to other advisors and investment advisory clients. AssetMark is the sponsor of the Platform and consults with the Financial Advisory Firms to implement the Platform for their Clients. As part of its services, AssetMark provides Account administration and has developed internet-based software which provides the Financial Advisory Firm with the ability to directly monitor its Client Accounts, download information concerning changes in the Platform, and access current information relating to the Platform. AssetMark also serves as the Portfolio Strategist and Investment Manager for the Market Blend ETF Strategies and the Guided Portfolios which includes the GPS Solutions and the GPS Select Solutions. GPS Solutions will invest in pre-determined allocations of the GuidePath Funds, with the option to also include additional investment options such as alternative investments. GPS Select Solutions will invest in pre-determined allocations to various Asset Allocation Approaches and within each Asset Allocation approach, will make allocations to various Portfolio Strategists and Investment Managers, including Altegris Advisors, LLC, an affiliate of AssetMark, Aris and Savos
- **Orion Portfolio Solutions-** Orion Portfolio Solutions is a Turnkey Asset Management Program (TAMP) that provides unparalleled service to investment advisers and their clients. Orion Portfolio Solutions offers investment options to add expertise and flexibility to an investment adviser's practice.

- Folio Institutional- Folio Institutional's focus on investment innovation enables them to build a platform for low-cost diversification, suitable for clients of any size. Folio Institutional is offered by Folio Investments, Inc., a licensed broker-dealer launched in 2000 to help investors and those who serve them achieve financial success with an investment platform available for a fair price.

BBG may add or change the programs offered in the future.

### **Termination of Account**

Clients who wish to terminate their account must notify BBG verbally within five (5) business days of its execution with written notice to follow within the next twenty-four (24) hours. If services are terminated within (5) business days of executing the client agreement, services will be terminated without penalty. After the initial five (5) business days, the client may be responsible for payment of fees for the number of days services are provided by BBG prior to receipt of the notice of termination. BBG shall refund any/all pre-paid unearned fees on a pro-rata basis.

BBG may tailor its advisory services to the specific needs and objectives of each advisory client. Clients may also impose restrictions on investing in certain securities or types of securities. Most of which is generally covered in the client's investment advisory agreement or financial planning agreement.

### **Wrap Fee Program**

BBG does not sponsor a wrap fee program at this time.

### **Assets under Management**

As of December 31, 2021, the amount of client assets under advisement is calculated as follows:

Discretionary:	\$ 37,207,932	(77 Clients)
Non-discretionary:	\$ 135,495,232	(234 Clients)

BBG's method for computing the amount of "*client* assets you manage" is the same method for computing "assets under management." The amount as disclosed above is rounded to the nearest \$50,000. The date of the calculation above is not more than ninety (90) days before the date BBG last updated its *brochure*.

## **Item 5. Fees and Compensation**

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Most BBG clients choose to have BBG advisory services or a third-party program manage their assets in order to obtain ongoing in-depth advice. The scope of advisory services and corresponding fees is outlined in an Advisor Agreement and is provided to the client in writing prior to the start of the relationship.

### **Investment Management Fees**

The annual Advisory Agreement fee is negotiated based on a percentage of the investable assets not to exceed 2.99%.

\*By this 2.99% fee, the adviser might charge fees higher than most investment advisers. Fees of 3% or greater are in excess of the industry norm, and similar advisory services can be obtained for less.

The client will be asked to sign an agreement allowing the custodian to invoice the client's account held by the custodial broker dealer, but usually he / she will choose to have the custodial broker dealer withdraw funds automatically.



BBG does not bill clients directly. RBC, the custodian, bills clients on behalf of the firm in relation to programs made available through RBC. Third-party advisors bill their clients directly for all services and provide any payment due BBG, pursuant to contractual or other agreement, directly to BBG.

Current client relationships may exist where the fees are higher or lower than the fee schedule above as fees may be negotiated.

Although the Advisory Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

### **Financial Planning Fees**

The fees for a financial plan are predicated upon the facts known at the start of the engagement. For financial planning services as provided by BBG, client may agree to pay BBG a minimum hourly fee of \$50.00 per hour which is negotiable. Hourly fees for financial planning services are negotiable and may be higher depending on the complexity of the services and/or the advisory representative assigned to your account. This hourly consultation service may take the form of general consulting and/or general investment advice for individuals and/or institutions. It may also take the form of investment advice for individuals or institutions that do not meet the minimum requirement for the investment management service. Additionally, it may also take the form of corresponding and/or coordinating with attorneys, CPAs and/or other professionals, as well as document production and other administrative services.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary.

Fees charged to clients may be higher or lower than the aforementioned fees depending on the nature of any pre-existing relationship, the complexity of the accounts, or terms and conditions of any outstanding or pre-existing verbal or written agreement to which BBG is a party.

As a result of managing clients' accounts, clients may also incur brokerage and other transaction-related fees. Clients are encouraged to carefully review Item 5 Fees and Compensation, Item 11 under Participation/Interest in Client Transactions and Item 12 Brokerage Practices for further details on all fees charged to clients.

### **Employer Sponsored Retirement Plan Consulting Services Fees**

The negotiable Consulting Service Fee is calculated as an annual fee and will be paid quarterly. The Consulting Service Fee paid as a percentage of assets and is based on the fair market value of the Included Assets in the Plan. BBG's Advisory Fees may be paid: (i) by the Client (Plan Sponsor) directly; or (ii) paid out of Plan assets pursuant to the Client's written instructions to the Plan record keeper or custodian to calculate and remit fees directly. Advisory Fees shall be prorated for partial quarters or applicable fee calculation periods.

BBG's Advisory Fees will be fully disclosed and transparent. There are no soft dollar, as that term is defined under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"), or undisclosed fee arrangements with any other plan service providers.

Except for the Consulting Service Fee, BBG does not reasonably expect to receive any other compensation, direct or indirect, for its Services under this Agreement. If BBG receives any other

compensation for such services BBG will: (i) return the amount received back to the Plan; and (ii) disclose the amount and nature of compensation to the Client.

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

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Neither BBG or any of its *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle). Therefore, there are no conflicts of interest that BBG or its *supervised persons* may face by managing these accounts at the same time, to include any incentive to favor accounts for which BBG or its *supervised persons* receive a *performance-based fee*.

BBG and its supervised persons may charge a minimum fee plus a fee based on the amount of assets under advisement as listed above. Additionally, BBG may also charge clients an hourly or flat fee for financial planning services. Please see Fees and Compensation above for further details on any minimum fees and/or hourly or flat fees.

## Item 7. Types of Clients

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BBG is a registered investment adviser firm that provides investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, corporations and small businesses (collectively referred to as “Clients”).

### Requirement for Opening Accounts (Minimum Investment Amount)

BBG’s fee range for each particular service is subject to negotiation and could vary depending upon various circumstances, including the scope of the services to be provided (the minimum fees and fee ranges for existing clients prior to current calendar year may differ from those indicated). However, BBG may impose certain requirements for opening and/or maintaining an account, such as a minimum account size or minimum fees and fee ranges.

The minimum investment required by an individual investor client is generally \$50,000. Accounts below these minimums may be negotiable and accepted on an individual basis at BBG’s discretion. However, BBG may from time to time establish, modify and waive account or investment minimums for different investment products and/or services. Please see Fees and Compensation above for further details on investment minimums.

Third-party programs may establish their required minimums.

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

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### Methods of Analysis

BBG securities analysis methods may include charting, fundamental analysis, technical analysis, and the use of cyclical analysis and monitoring of investment cycles and trends. Fundamental analysis includes but is not limited to analyzing company financial statements and health, its management and competitive advantages, and its competitors and markets, the overall state of the economy, interest rates, production and overall earnings. Technical analysis includes forecasting the direction of prices through the study of past market data, primarily price and volume.

Material risks associated with fundamental and/or technical analysis may be that the stock price of a company is not necessarily reflective of or otherwise directly correlated to such factors when determining value.

As with most investment products, because investment portfolios include securities, investing in securities involves risk of loss that you as our client should be prepared to bear.

### **Use of Significant Investment Strategy**

In the event that BBG employs a frequent trading strategy for its clients, it is important to note that such a strategy can have an effect on investment performance, particularly through increased brokerage and other transaction costs and taxes.

BBG does not recommend any particular type of security as part of its overall investment advisory services.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client may execute an Investment Policy Statement that documents their objectives and their desired investment strategy, or document their objectives (i.e., growth, balanced, speculation) and other information on the account opening forms of the custodian, or may document such information on any other questionnaire or appropriate document as needed.

Other strategies may include long-term purchases (securities held at least a year), short-term purchases (Securities sold within a year), trading (securities sold within 30 days), margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

BBG will offer the products (or similar products) referred to in the "Tailored Relationships" section; BBG does not offer insurance products.

### **Equity Risks**

The material risks associated with these strategies are:

#### **Equity Market Risk**

Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

#### **Management Risk**

Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

#### **Small and Mid-Cap Company Risk**

Investments in small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and mid-cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key

employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

### **Short Sale Risk**

Short sales are speculative transactions and involve special risks. In order to initiate a short position, a security must be borrowed. Strategies that execute short sales may incur a loss if the price of the security sold short increases in value between the date of the short sale and the date when we purchase the security to replace the borrowed security. Losses are potentially unlimited in a short sale transaction.

## **Fixed Income Risks**

The material risks associated with this strategy are:

### **Fixed Income Market Risk**

Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

### **Management Risk**

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, and our intrinsic value approach may fail to produce the intended results.

### **Credit Risk**

There is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

### **Real Estate Risk**

Real Estate Investment Trusts (REITS), although not a direct investment in real estate, are subject to the risks associated with investing in real estate. The value of these securities will rise and fall in response to many factors including economic conditions, the demand for rental property and changes in interest rates.

### **Structured Instrument Risk**

Structured instruments may be less liquid than other debt securities, and the price of structured instruments may be more volatile. Although structured instruments may be sold in the form of a corporate debt obligation, they may not have some of the protection against counterparty default that may be available with publicly traded debt securities.

## **ETF Risks**

The material risks associated with this strategy are:

### **International Limitations**

While the U.S. has a plethora of ETF products, some countries only have a few exchange traded funds in which to invest. And those regions that do offer market ETFs, usually only include large-cap products leaving a lack of mid and small-sized funds.

### **Low Trading Volumes**

When ETFs have low trading volumes, the advantage of purchasing an ETF over an index or equity diminishes. The bid-ask spread can be too wide to be cost-effective. Market Makers tend to be tighter on securities that are more liquid (barring any unforeseen news or circumstances).

### **Long Investment Horizon**

The intraday trading opportunities created by ETFs may not fit into a long-term investor's strategy. This is more of an advantage for short-term ETF traders. So, as an investor, it will be important to layout your investing goals before you decide how to include ETFs in your portfolio.

### **Inactivity**

Some ETFs aren't as actively traded as others. It can be a sector-related issue or even a regional issue. When this situation occurs, it may be more effective to invest in a managed fund where activity is higher.

### **Tax Implications**

In the case of foreign ETFs, sometimes there may be a tax advantage by opting to invest in an international portfolio. Tax laws vary from country to country, so it may be beneficial for your tax return to find other foreign investments.

There are many benefits to including ETFs in your portfolio, however it is important to understand that they are not the ideal investment for every situation. ETFs should be evaluated on a case-by-case basis for every investing strategy.

## **Item 9. Disciplinary Information**

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### **Disclosure Events**

There are no disclosure events involving a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which BBG or its management personnel are involved.

There are no disclosure events involving an administrative *proceeding* before the SEC, any other federal regulatory agency or any *foreign financial regulatory authority* in which BBG or its management personnel are involved.

Regarding disclosure events involving a state regulatory agency, BBG provides the following disclosures:

- Regulatory Action: 04/03/2007, Alabama Securities Commission – Prior to firm approval a Representative of the firm placed trades for Alabama residents. Case# CA-2007-0008. Sanction: Letter of Consent, Fine: \$1,050.
- Regulatory Action: 10/14/1999, Securities Enforcement Unit State of Hawaii – Prior to firm approval a Representative of firm placed trades for Hawaii residents. Failure to supervise also alleged. Case# SEU-99-028. Sanction: Monetary Fine: \$7,500.

Regarding disclosure events involving a *self-regulatory organization (SRO) proceeding* in which BBG or its management personnel are involved, BBG provides the following disclosures:

- FINRA (f/k/a NASD) Regulatory Action: Initiated 03/31/2015/ Resolved 03/31/2015; Acceptance, Waiver & Consent (AWC)- Broker/dealer sold corporate bonds to customers and failed to sell such bonds as a fair price taking into consideration relevant circumstances at the time of the

trade including market conditions. FINRA Docket#011027646701; Monetary Fine/Censure: \$190,000.00; Other sanctions; revised written supervisory procedures.

- NASD Regulatory Action: Initiated 10/01/2003/ Resolved 07/08/2005; Allegations of unsuitable investments in OTC equities and options; NASD, CASE 04-06938; Settlement in the amount of \$40,500.
- NASD Regulatory Action: Initiated 02/13/2002/Resolved 10/01/2003; Allegations of unauthorized trading in listed equities from losses sustained during bear market; NASD 02-06206; Settlement in the amount of \$12,500.
- NASD Regulatory Action: Initiated 02/02/1998/Resolved 02/25/1999; allegations of securities fraud, common law fraud, breach of fiduciary duties, breach of duty of good faith & fair dealing, negligence, rule violations, breach of contract, failure to supervise related to options transactions; NASD, 97-05384; Settlement in the amount of \$40,000.
- NASD Regulatory Action: Initiated 12/18/2003/Resolved 09/29/2004; Allegations of unsuitability, breach of fiduciary duty, misrepresentation, unauthorized use of margin related to OTC equities and covered call options; NASD, 03-08724LA; Settlement in the amount of \$12,100.

## Item 10. Other Financial Industry Activities and Affiliations

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### Broker/Dealer Affiliation

BBG is also a FINRA member broker/dealer and its management persons are registered representatives of the broker-dealer.

Neither BBG nor any of its *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

On occasion, BBG and its *management persons* may own securities products that they also recommend to clients which may present a potential conflict of interest. However, as a preventative measure, all client transactions will be conducted and implemented before any such transaction relating to any personal accounts of any affiliated persons of BBG. In addition to this measure, all the aforementioned *management persons* of BBG will act in accordance with applicable securities laws and conduct their business to ensure overall compliance with Insider Trading rules and the Securities Fraud Enforcement Act of 1988.

In the event the client chooses to purchase investment products through BBG's *management persons*, in their individual capacities as registered representatives, they may receive brokerage commissions to effect securities transactions. The brokerage commissions charged by BBG may be higher or lower than those charged by other broker-dealers. In addition, BBG, as well as BBG's *management persons* (as applicable), relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

### Insurance Products

BBG maintains certain relationships and/or arrangements that are material to its advisory business or to its *clients* that BBG or any of its *management persons* may have with any *related person*. For example, a select number of *management persons* may also be licensed insurance agents, and in such capacity, may recommend, on a fully disclosed basis, the purchase of certain insurance-related products which may present a potential conflict of interest between BBG's interests and those of its advisory clients. However, clients are under no obligation to purchase products BBG or its management persons may recommend, or to purchase products or services through BBG or its *management persons*.

## Selection of Other Investment Advisers

On occasion, BBG may recommend or select other investment advisers for its *clients* and receive compensation directly or indirectly from those advisers that may create a conflict of interest.

## Disclosure of Material Conflicts

All material conflicts of interest are disclosed regarding the Adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

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## Code of Ethics

BBG's Code of Ethics is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940. The Code is based upon the principle that BBG and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The purpose of BBG's Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct. As such, BBG and its employees are prohibited from engaging in fraudulent, deceptive, or manipulative conduct. BBG and its employees have an affirmative duty of utmost good faith to act solely in the best interest of its clients.

BBG has adopted the following Code of Ethics in accordance with SEC rule 204A-1 or similar state rules:

- **Fiduciary Responsibility-** BBG and its staff shall exercise the highest standard of care in protecting and promoting the interests of its clients and will provide a written disclosure containing any conflicts of interest that may compromise their impartiality or independence. As fiduciary, BBG shall not accept any referral fees or compensation that is contingent upon the purchase or sale of any financial product.
- **Integrity-** All professional services shall be rendered with the highest level of integrity.
- **Objectivity-** BBG and its staff shall provide advice that is objective and in the best interest of the client and without conflicts of interest.
- **Competence-** BBG and its staff shall maintain the necessary knowledge and skills to provide our clients with competent advice and services.
- **Fairness-** All professional services shall be performed by BBG and its staff in a manner that is fair and reasonable to its clients.
- **Confidentiality-** BBG and its staff shall maintain and safeguard all confidential client information in accordance with applicable laws.
- **Diligence-** BBG and its staff shall ensure the accuracy and completeness of records, information, and data collected, used and managed, and will take necessary steps to correct any discrepancies.
- **Regulatory Compliance-** BBG and its staff shall comply fully with appropriate laws and internal regulations.

BBG will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### **Firm Interest in Client Transactions**

Neither BBG nor any of its *related persons* will buy securities for itself/themselves from advisory *clients* or sell securities BBG or its related persons own to advisory *clients* (principal transactions).

BBG or its *related persons* may buy or sell for itself/themselves securities (other than shares of mutual funds) that BBG or its related persons also recommend to advisory *clients*.

Neither BBG nor any of its *related persons* will recommend securities (or other investment products) to advisory *clients* in which BBG or any *related person* has some other proprietary (ownership) interest.

### **Sales Interest in Client Transactions**

Neither BBG nor any of its *related persons* will execute securities trades for brokerage customers in which advisory *client* securities are sold to or bought from the brokerage customer (agency cross transactions).

Neither BBG nor any of its *related persons* will recommend purchase of securities to advisory *clients* for which BBG or any *related person* serves as underwriter, general or managing partner, or purchaser representative.

Neither BBG nor any of its *related persons* will recommend purchase or sale of securities to advisory *clients* for which BBG or any *related person* has any other sales interest (other than the receipt of sales commissions as a broker or registered representative of a broker-dealer).

## **Item 12. Brokerage Practices**

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### **Research and Other Soft Dollar Benefits**

Regarding research and other soft dollar benefits, BBG does not receive research (both proprietary and non-proprietary) or other products or services other than execution services from a broker/dealer or a third party in connection with *client* securities transactions (otherwise known as “soft dollar benefits”).

### **Brokerage for Client Referrals**

BBG has limited discretion over the selection of brokers to be used and the commission rates to be paid. While commission rates are an important factor in broker selection, BBG may select brokers that charge commissions higher than those obtainable from other brokers. In selecting a broker for any transaction or series of transactions, BBG may consider a number of factors in addition to commission rates, including, for example net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block position capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding client accounts, the availability of stocks to borrow for short trades, custody, record keeping or other similar services, as well as other factors involved in the receipt of general brokerage services.

### **Directed/Recommended Brokerage**

As previously disclosed in the Item 10 Other Financial Industry Activities and Affiliations, BBG is also a full-service broker-dealer that offers stocks, bonds (fixed income), mutual funds, options, warrants, and variable insurance products.

Advisory clients of BBG’s advisory services are obligated to use the brokerage services of BBG, in effecting the investment adviser’s recommendations. This allows BBG Advisory to utilize its relationship



with RBC (BBG's designated clearing firm) to have access to client account statements and other account data and services for monitoring the account.

Clients need to be aware that an inherent possibility of a conflict exists between the Advisor's interests and the client's interests in any such arrangement in which the advisor will receive two fees: first for providing the advice or recommendation and second, in the Advisor's other capacity as broker dealer agent or insurance agent, for effecting any transaction based on that advice or recommendation. The dual fee creates an incentive to make the recommendation.

### **Aggregation of Client Orders**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. However, because BBG does not aggregate the purchase or sale of securities for client accounts, fee may be higher than similar elsewhere.

## **Item 13. Review of Accounts**

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Accounts are reviewed on an ongoing basis by the investment advisory representative assigned to the account. Overall investment management, market prospects and individual issue prospects are considered in the review process. Triggering factors that may affect an account review could be any material change in a client's account such as a change in company earnings, industry/company outlook as well as other economic factors. All account reviews are conducted by the investment adviser professional responsible for each account. All clients are encouraged to conduct an annual review of their financial objectives, account performance as well other relevant factors.

The nature and frequency of reports are determined by client need and the services offered. However, most of the clients are provided with transaction confirmation notices and regular summary account statements sent directly from the designated broker-dealer/custodian for each client account. Clients receiving investment advisory services may also receive written quarterly reports summarizing their overall account activity and investment performance.

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

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### **Direct/Indirect Compensation for Client Referrals**

From time to time, the Adviser compensates third parties [and employees], referred to as promoters, who refer or otherwise introduce prospects to the Adviser. These arrangements, which are made pursuant to written agreements and in accordance with Rule 206(4)-1 under the Advisers Act (the "Marketing Rule") and any other applicable state or regulatory requirements, vary in nature and the terms are negotiated between the party and the Adviser. As required by the Marketing Rule, the Adviser requires each promoter, at the time of the solicitation of a potential client, to provide disclosure about its compensation arrangement with the Adviser, along with a description of any material conflicts of interest raised by the arrangement. If the Adviser accepts a new client who is introduced to the Adviser by a third-party promoter, the Adviser will pay such third-party promoter a placement fee that is based upon the assets the client places with the Adviser, or a portion of the management fee generated by the account for a period of time which varies on a case-by-case basis. These arrangements present a conflict of interest because the payments may induce the third party to recommend the Adviser to a client when the third party might not otherwise do so if there was no payment. These payments are disclosed to the prospects prior to or at the time of executing an investment management agreement and do not impact the advisory fee paid to the Adviser by the client.

## Item 15. Custody

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All assets are held at RBC (the clearing firm) or other third-party programs. As a result, BBG does not maintain custody of client funds and/or securities. Therefore, clients will receive their monthly and/or quarterly account statements directly from the designated broker/dealer, bank or other qualified custodian of record and therefore should carefully review those statements for accuracy. In the event that clients also receive account statements from BBG, it strongly encourages each client to compare the account statements they receive from the qualified custodian with those received from BBG.

## Item 16. Investment Discretion

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Upon receiving written authorization from a client, BBG may manage client assets on a limited discretionary basis. In this case, Client delegates to BBG limited discretionary trading authorization with respect to the purchase, exchange and sale of actively traded securities, equity and equity-related securities in addition to the amount of securities to be bought or sold on behalf of the Client. Client may also hereby appoint one or more advisory representatives of BBG as a representative of BBG as agent and attorney in fact to purchase, sell and trade such securities, waivers, consents and other instruments with respect to such securities.

## Item 17. Voting Client Securities

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BBG does not have the authority to vote client proxies and therefore is not required to take action or render advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets of the clients account(s) may be invested from time to time. *Clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients may contact BBG directly at (714) 628-5200 if they have any questions regarding a particular solicitation.

## Item 18. Financial Information

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### **Pre-Payment of Fees**

BBG does not require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance.

### **Material Impact of Discretionary Authority**

BBG may exercise *discretionary authority* over certain *client* funds or securities. However, BBG does not anticipate any financial condition that may be reasonably likely to impair its ability to meet contractual commitments to *clients* at this time.

### **Custody Disclosure**

BBG does not have custody of client funds or securities. Please see Custody section above for further details.

### **Bankruptcy Disclosure**

BBG has not been the subject of a bankruptcy petition at any time during the past ten years.

## Privacy Policy

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### **Privacy Policy Notice**

Your privacy is important to us. Your personal information is kept secure. Under federal and state law, you have a right to know what information is being collected about you and how that information will be used. BBG collects nonpublic personal information about you from the following sources:

- Information BBG receives from you on applications or other forms.
- Information about your transactions with BBG; and
- Information that you specifically have had your other professional advisors forward to BBG.

BBG does not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law, or as directed by you:

- Under law, the information BBG collects is provided to companies that perform support services on our behalf as necessary to effect, administer, or process a transaction, or for maintaining and servicing your account;
- As directed by you, BBG will be working with your other professional advisors and BBG will provide information in our possession that is reasonably requested by the other advisors.

BBG does not give or sell information about you or your accounts to any other company, individual or group. BBG restricts access to nonpublic personal information about you to those employees who need to know that information to provide services to you. BBG maintains physical, administrative, and technical procedural safeguards to protect your nonpublic personal information. You do not need to call or do anything as a result of this notice. It is meant to inform you of how BBG safeguards your nonpublic personal information.

## Business Continuity Plan

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BBG (and its advisory services) has a Business Continuity Plan ("BCP") in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Signification Business Disruptions**

The Business Continuity Plan covers signification business disruptions to include natural disasters such as fire, floods, earthquakes, snow storms, hurricanes and tornados. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### **Alternate Office Locations**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

### **Loss of Key Personnel**

BBG's Business Continuity Plan has procedures in place to support ongoing business in the event of Bruce Graham's serious disability or death.

# Information Security Program

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BBG maintains an information security program to reduce the risk that your personal and confidential information may be breached.