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## **BBVA WEALTH SOLUTIONS, INC.**

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**Investment Adviser Wrap Fee Program Brochure  
FORM ADV, Part 2A, Appendix 1**

## **BBVA WEALTH SOLUTIONS MANAGED INVESTMENT PROGRAM**

**September 13, 2016**

**This wrap fee program brochure provides information about the qualifications and business practices of BBVA Wealth Solutions, Inc. If you have questions about the contents of this brochure, please contact us by telephone at 713-552-9277. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about BBVA Wealth Solutions, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**You should read and carefully consider the information contained in this brochure before retaining BBVA Wealth Solutions, Inc. to provide any of the services described in this brochure. BBVA Wealth Solutions, Inc. is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training.**

## Material Changes

### What is in this Current Brochure

This September 13, 2016 version of the BBVA Wealth Solutions, Inc.'s Part 2A, Appendix 1-Wrap Fee Program Brochure (the "September 2016 Updated Program Brochure") updates, amends and replaces the Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) dated March 31, 2016 (the "March 2016 Program Brochure").

### Summary of Material Changes That Appear in this September 2016 Updated Program Brochure

We have summarized below the material changes to our March 2016 Program Brochure that appear in this September 2016 Updated Program Brochure. The summary appearing below describes only changes to our March 2016 Program Brochure that are material changes. The material changes to our March 2016 Program Brochure are as follows:

- We have added the SmartPath Index Funds and ETF Portfolios to our Managed Investment Program and discussion of the aspects of these new portfolios is located in the appropriate portions of this August 2016 Updated Program Brochure including, without limitation, under "**Our Wrap Fee Programs**," "**Our Advisory Services**," "**The Types of Investments We Make**" and "**The Fees We Charge**" in the "**Services, Fees and Compensation**," section and under "**Account Requirements and Types of Clients**," under "**Participation or Interest in Client Transactions**," and "**Custody and Brokerage**" in the "**Additional Information**" section
- We have lowered the minimum initial investment amount for our SmartPath Diversified Portfolios as well as the Morningstar Retirement Income Strategies and the Russell Model Strategies within our Model Strategies Program to \$20,000.00.
- We have lowered the minimum initial investment for the Large Cap Value SMA Strategy from \$250,000 to \$100,000 and increased the minimum initial investment for the Small/Mid Cap Equity SMA Strategy from \$100,000 to \$250,000.
- We have added language under *Fee Billing* in the **The Fees We Charge** section to clarify how fees and rebates of fees are calculated if a client elects to make a model change during a billing period.

### How to Obtain a Current Brochure

If you would like another copy of this Wrap Fee Program Brochure, please download it from the SEC Website as indicated above or you may contact Ms. Stacy Hasty by telephone at 713-552-9277 or by email at [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

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## Services, Fees and Compensation

### Our Wrap Fee Programs

BBVA Wealth Solutions, Inc. (referred to below as the “Sponsor,” or as “we” or “us” or “our” as appropriate) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). We provide various investment advisory services with respect to individually managed advisory accounts and, in some cases, portfolio management services. This Brochure provides information regarding the **BBVA Wealth Solutions Managed Investment Program**, which offers clients the following wrap fee programs (the “Programs”) sponsored by us for our investment advisory clients:

- The **SmartPath® Diversified Portfolios Program** is a discretionary asset allocation program offering access to certain model portfolios (the “SmartPath Diversified Model Portfolios”) created by us that are composed of mutual funds, exchanged-traded funds and similar pooled investment vehicles. Currently, clients may access seven mutual fund based models.
- The **Model Strategies Program** is a discretionary asset allocation program offering access to certain model portfolios (“Third-Party Model Strategies”) developed and maintained by investment management firms other than us (“Third-Party Model Strategists”). Third-Party Model Strategists may include both fully independent third-party managers or one or more of our affiliates. Currently, we offer (i) “Retirement Income Series” model portfolios (the “Morningstar Retirement Income Strategies”), which are invested primarily in mutual funds selected by Morningstar Investment Services, Inc., (ii) Morningstar Select Stock Basket Dividend Strategy model portfolio (the “Morningstar Select Stock Basket Dividend Strategies”) which are invested primarily in equities and constructed by Morningstar Investment Services LLC, (iii) selected mutual fund based model portfolios constructed by Russell Investment Management, LLC (the “Russell Model Strategies”) and (iv) Lazard U.S. Equity Select Tax Aware Strategy, an equities-based model portfolio constructed by Lazard Asset Management LLC (“Lazard”).
- The **SmartPath® Index Funds and ETF Portfolios Program** is a discretionary asset allocation program offering our clients access to certain model portfolios created and maintained by us (the “SmartPath Index Funds and ETF Portfolios”) composed primarily of exchange-traded funds (“ETFs”) and index mutual funds (“Index Funds”) selected by our SmartPath Portfolios Team.
- The **Separately Managed Accounts Program** (“SMA Program”) is a discretionary asset allocation program offering clients access to various investment strategies (“SMA Strategies”) created and maintained by third-party investment managers (“SMA Managers”) not affiliated with us. The SMA Strategies are composed mainly of either equity or fixed income securities selected by the SMA Managers.
- The **BBVA Wealth Solutions SmartPath® UMA Program** (“SmartPath UMA Program”) is a discretionary, wrap fee program in which client assets are invested in a UMA strategy (“UMA Model Strategy”) provided by a third-party model strategist (“UMA Model Strategist”). Assets in the SmartPath UMA Program will be invested in a combination of SMA Strategies, Third-Party Model Strategies, pooled investment vehicles such as mutual funds and/or ETFs and individual securities and are held within a single account. Currently, our affiliate, Compass Bank, serves as the UMA Model Strategist.
- The **SmartPath® Managers Portfolios Program** is a separately managed account program under which the client’s assets are invested in the SmartPath Core Portfolio, a model portfolio provided to us by St. Johns Investment Management Company LLC (“SJIM”), an investment adviser not affiliated with us. The

client's assets will be invested principally in a portfolio of securities based on the model selections provided to us by SJIM from time to time. Note: Although clients are currently invested in this program, as of October 20, 2014, the SmartPath Core Portfolio is no longer offered to new investors.

- The **Lockwood Advisory Products Program** is a wrap fee program sponsored by us that offers clients the opportunity to participate in the Lockwood Asset Allocation Portfolios ("Lockwood LAAP"), the Lockwood Investment Strategies ("Lockwood LIS") and the Lockwood AdvisorFlex Portfolios ("Lockwood AFP"), each of which is an investment advisory product provided by Lockwood Advisors, Inc. ("Lockwood"). For further information, please see the section titled "**Our Advisory Services - Lockwood Advisory Products.**"

Sometimes below in this Brochure we refer to the SmartPath Diversified Model Portfolios, the Third-Party Model Strategies, the SmartPath Index Funds and ETF Portfolios and the SmartPath Core Portfolio as the "Portfolios" (or, singularly, a "Portfolio").

With the assistance of our investment adviser representative (the "Financial Advisor"), you will be asked to complete a Risk Tolerance Questionnaire or similar document provided by us (the "Investor Questionnaire"). Through the Investor Questionnaire and/or other Program Documentation, you will be asked to provide us with information concerning, among other things, your financial situation, retirement goals and investment risk tolerance. If we determine, based on the Investor Questionnaire, that participation in a Program is appropriate for you, we will recommend one or more investment strategies and assist you in identifying a combination of products and investment options available under the Program to help you pursue your investment objective and identified investment strategy. It is your sole responsibility to determine whether to participate in the recommended Program and, if applicable, whether to accept or reject our recommended Portfolios. In making such determination, you should consider all of your assets, income and investments.

In determining whether a wrap fee program is appropriate for you, the Firm will consider, among other factors, your need for a professionally managed account as compared to a traditional transaction-based brokerage account, the anticipated allocation of your assets to cash and cash equivalents, your anticipated frequency of trading activity and the anticipated costs of such activity if conducted in a brokerage account versus the bundled service fees applicable to wrap fee accounts. We will contact you, at least annually, to inquire whether there have been any changes in your financial situation, risk tolerance, investment objectives or investment needs. If there have been any changes to your financial situation in the interim, please contact us so that we may review your account and determine the appropriate investments for your account with us.

The Financial Advisor will also be a registered representative of our affiliate, BBVA Securities Inc., a registered broker-dealer and member FINRA & SIPC, acting through its BBVA Compass Investment Solutions division. In addition, the Financial Advisor also may be a licensed insurance representative of another of our affiliates, BBVA Compass Insurance Agency, Inc. ("BCIA"), a licensed insurance agency. In some cases, the Financial Advisor, in his or her capacity as a registered representative of the Introducing Broker-Dealer, may recommend mutual funds, variable annuities or other securities products other than those available through the Programs. Also, in his or her capacity as a licensed insurance agent of BCIA, the Financial Advisor may recommend fixed annuities or other insurance products. You should be aware that the Financial Advisor will receive compensation in connection with such recommendations.

We and our affiliate, BBVA Securities Inc., will designate a clearing brokerage firm to act as custodian for client assets held under the Programs (the "Program Custodian"). Currently, Pershing LLC ("Pershing"), member FINRA and SIPC, serves as Program Custodian. BBVA Securities Inc., through its BBVA Compass Investment Solutions division (sometimes referred to below as the "Introducing Broker-Dealer"), acts as introducing broker for

Pershing. By participating in one of the Programs, you agree that custody of your Program assets will be held by the Program Custodian as custodian and that, except as otherwise noted, securities transactions within your Program account will be executed through the Program Custodian, as clearing broker. Where we exercise trading discretion over your account, we reserve the right, however, to execute transactions through a broker-dealer other than the Program Custodian when the transaction cannot be executed through the Program Custodian due to regulatory or other constraints or if we determine that “best execution” is not available through the Program Custodian. In addition, in the case of assets invested by SMA Managers, the SMA Managers may, at their option, determine to execute trades through broker-dealers other than Pershing. Trading costs incurred in connection with the execution of trades through broker-dealers other than the Program Custodian are not covered by the Wrap Fee and will result in additional expense to the client.

*Note: The identification in this Disclosure Brochure of any person or firm (including us, BBVA Securities Inc. and Pershing, and our and their respective representatives) as “registered” or “licensed” does not imply any level of skill or training.*

Our primary form of compensation under the Programs will be in the form of periodic fees based on a percentage of assets under management, but we will also receive certain types of additional compensation under some Programs. In addition, certain other fees, charges and expenses will apply. See below under “**The Fees We Charge.**”

A portion of your portfolio may be invested in money market mutual funds or other short-term investment vehicles selected by us from time to time as representing an appropriate allocation of the client’s portfolio to “cash equivalents.”

### **Our Advisory Services**

The types of services we provide to you will differ, in some cases significantly, based upon the Program and the Portfolios or other investment vehicles selected.

#### *SmartPath<sup>®</sup> Diversified Portfolios*

The SmartPath Diversified Portfolios is a wrap account product offering the client the opportunity to receive personalized portfolio management services from us, as your portfolio manager, based on a SmartPath Diversified Portfolio (the “SmartPath Diversified Model Portfolios”) maintained by us. The SmartPath Diversified Model Portfolios are composed of mutual funds, ETFs and similar pooled investment vehicles (collectively, “Funds”) selected by our SmartPath Portfolios Team. We will assist you in selecting the appropriate SmartPath Diversified Model Portfolio, monitoring results and making ongoing investment management changes or adjustments, taking into account any changes to your personal financial circumstances or goals. We provide investment advisory services, while the Program Custodian (Pershing LLC) provides securities execution, custodial and other administrative services, all for a single wrap fee. As discussed above (see “**Our Wrap Fee Programs**”), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client’s participation in the SmartPath Diversified Portfolios.

You have the option of designating a preference for “tax aware” investments, in which case the fixed income assets in your selected SmartPath Diversified Model Portfolios will be invested primarily in Funds that invest in municipal bonds and similar securities designed to pay income that is exempt from U.S. federal personal income taxes under current laws (“Muni Bond Funds”). We make no representations regarding whether the

income from Muni Bond Funds used for tax-sensitive clients will, in fact, be exempt from U.S. federal personal income taxes. In addition, in any event, other state, federal or local taxes may apply.

Currently, the following SmartPath Diversified Model Portfolios are available:

- Conservative -- This portfolio is designed for clients who desire preservation of capital and are comfortable with a low degree of potential volatility of the entire pool of assets. We seek to achieve this objective by allocating across a broad spectrum of mutual funds and exchange-traded funds.
- Muni Fixed Income -- This portfolio is designed for tax-aware clients who are comfortable with a relatively low level of risk and who desire that their fixed income allocation be pursued primarily through Muni Bond Funds (i.e., mutual funds and exchange-traded funds that invest in securities designed to pay income that is exempt from U.S. personal federal income taxes under current U.S. laws). We seek to achieve this objective by allocating across a broad spectrum of Muni Bond Funds.
- Moderately Conservative -- This portfolio is designed for clients who desire to maintain the purchasing power of their assets, but who are comfortable with a low level of risk. We seek to achieve this objective by allocating across a broad spectrum of mutual funds and exchange-traded funds.
- Moderate Income -- This portfolio is designed for clients who desire income, and who are comfortable with a moderate level of risk. We seek to achieve this objective by allocating across a broad spectrum of mutual funds and exchange-traded funds that generate income, either from equities or fixed income securities.
- Moderate Growth -- This portfolio is designed for clients who desire growth of assets, balanced by risk management against volatility, and the potential for a moderate level of risk. We seek to achieve this objective by allocating across a broad spectrum of mutual funds and exchange-traded funds.
- Growth -- This portfolio is designed for clients who desire growth of assets with a minimal emphasis on income. These clients may have a longer time horizon and are willing to accept greater short-term potential volatility in exchange for higher long-term potential returns. We seek to achieve this objective by allocating across a broad spectrum of mutual funds and exchange-traded funds.
- Aggressive Growth -- This portfolio is designed for clients who are comfortable with a high degree of potential volatility in their portfolio in exchange for the long-term returns that are potentially higher than any of the other SmartPath Diversified Model Portfolios. We seek to maximize capital appreciation by allocating across a broad spectrum of mutual funds and exchange-traded funds, which may have a high degree of risk.

Except as noted below, we will establish a minimum and maximum weighting for equity, fixed income and cash equivalents for each model portfolio. Each of the SmartPath Diversified Model Portfolios may invest in global and domestic money market mutual funds and in global and domestic mutual funds and exchange-traded funds that invest in, or provide exposure to, fixed income securities, cash equivalents, commodities (including but not limited to gold), currencies and alternative asset classes, as applicable. Each of the SmartPath Diversified Model Portfolios, other than the Conservative and Muni Fixed Income Model Portfolios, may invest in mutual funds or exchange-traded funds that invest in equity securities or that provide exposure to equity securities. See below under **“The Types of Investments We Make – SmartPath Diversified Portfolios”** for additional information concerning the types of investments that will be purchased for the SmartPath Diversified Model Portfolios.



You will grant us full investment discretion consistent with the objectives of the Program and your Program account. This will give us full authority, without your prior approval and without prior notice, to change the target allocations and the Funds and other assets comprising the respective SmartPath Diversified Model Portfolio and to buy and sell assets within your account to correspond to changes in the applicable SmartPath Diversified Model Portfolio. However, the SmartPath Diversified Model Portfolio or Portfolios in which your assets are invested will not be changed without your prior approval. We also will have the discretionary authority to purchase, sell or exchange assets in order to rebalance the investments within your account to the extent necessary to maintain the target allocation of the SmartPath Diversified Model Portfolios, taking into account changes in the market value of the securities or other investments, income, and other factors and any minimum “tolerances” established by us from time to time for the SmartPath Diversified Model Portfolios (“Target Allocation Tolerances”). We will not be obligated to rebalance the investments within your account more frequently than quarterly or, in any event, unless the variance between the current allocation and the target allocations established for the Program exceed the applicable Target Allocation Tolerances.

### *Model Strategies Program*

The **Model Strategies Program** is an asset allocation program offering access to certain Third-Party Model Strategies developed and maintained by Third-Party Model Strategists in which we maintain discretion over the assets your account. Third-Party Model Strategists may include both fully independent third-party managers or one or more of our affiliates. We will assist you in determining whether one or more Third-Party Model Strategies is appropriate for you based on your Investor Questionnaire and we are responsible for monitoring the results obtained by the Third-Party Model Strategy. We provide investment advisory services to you and obtain the model portfolio from the Third-Party Model Strategist, while the Program Custodian provides securities order-entry, execution and clearance services, custodial services and other administrative services, all for a single wrap fee. As discussed above (see “**Our Wrap Fee Programs**”), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client’s participation in the SmartPath Diversified Portfolios.

You grant us full trading authority over your Program account consistent with the client’s investment objective, but ordinarily we will exercise our investment discretion solely to buy and sell assets within the account to correspond to changes in the selected Third-Party Model Strategy based on the recommendations from the Third-Party Model Strategist. In some cases, however, the actual holdings and allocations within your account will not match precisely the holdings and allocations recommended by the Third-Party Model Strategist, including that we may, in our discretion, determine to utilize a mutual fund, exchange-traded fund or other pooled investment vehicle (a “Fund” or, if plural, “Funds”) or equity security other than that recommended by Third-Party Model Strategist but which we determine is comparable. In all cases, we will have full authority to make purchases and sales without your prior approval and without prior notice to you. However, the Third-Party Model Strategy or Strategies in which your assets are invested will not be changed without your prior approval.

We also will have the discretionary authority to direct the purchase, sale or exchange of assets in order to rebalance the investments within the account as necessary to maintain the target allocation for the selected Third-Party Model Strategy established by the Third-Party Model Strategist from time to time, taking into account changes in the market value of the securities or other investments, income, realized or unrealized gains and other factors and minimum “tolerances” established by the Third-Party Model Strategist from time to time, and any minimum rebalancing intervals established by the Third-Party Model Strategist from time to time. The Third-Party Model Strategist does not exercise discretionary authority over your account, does not serve as your portfolio manager and does not provide investment advice based on the client’s individualized financial

situation, needs or objectives. You must establish a separate Program account for each Third-Party Model Strategy you choose. Currently, we offer the Morningstar Retirement Income Strategies, the Morningstar Select Stock Basket Dividend Strategy, the Russell Model Strategies and the Lazard U.S. Equity Select Tax Aware Strategy, as described below.

#### Morningstar Retirement Income Strategies

Morningstar Investment Services LLC ("Morningstar") will provide us with selected model portfolios developed and maintained by Morningstar. A range of four model portfolios in the **Morningstar Retirement Income Strategies** is available, with the respective model portfolios being designed by Morningstar to address different distribution needs and risk tolerances during retirement. The model portfolios are composed primarily of mutual funds selected by Morningstar.

##### *Retirement Income Long-Range*

The Retirement Income Long-Range portfolio is designed to generate a steady rate of return predominantly driven by capital appreciation and income over 20 or more years. The portfolio is designed to support a 4% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed and emerging market foreign stock, real estate, high-yield bonds, inflation-indexed Treasuries, investment-grade domestic bonds, foreign bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

##### *Retirement Income Mid-Range*

The Retirement Income Mid-Range portfolio is designed to generate a steady rate of return predominantly driven by capital appreciation and income over a 10 to 20 year horizon. The portfolio is designed to support a 5% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed and emerging market foreign stock, real estate, high-yield bonds, inflation-indexed Treasuries, investment-grade domestic bonds, foreign bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

##### *Retirement Income Short Range*

The Retirement Income Short-Range portfolio is designed to generate a steady rate of return predominantly driven by income with some potential for capital appreciation over a 2-10 year horizon. The portfolio is designed to support a 6% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed foreign stock, high-yield bonds, inflation-indexed Treasuries, investment-grade domestic bonds, foreign bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

##### *Retirement Income Ultra-Short Range*

The Retirement Income Ultra-Short Range portfolio is designed to preserve capital and generate a steady rate of return driven by income over a 1-5 year horizon. The portfolio aims to support a 7% annual distribution over this time horizon without fully depleting the account's assets. The portfolio will normally invest in mutual funds from these market segments: investment-grade domestic bonds, short-term reserves, foreign bonds, high-yield bonds, and inflation-protected bonds.

#### Morningstar Select Stock Basket Dividend Strategy

The **Morningstar Select Stock Basket Dividend Strategy** is one of the Morningstar Select Stock Basket Strategies. The Morningstar Select Stock Basket Strategies are created by Morningstar using research produced by more than 100 equity analysts at Morningstar, Inc. In constructing each Select Stock Basket Strategy, Morningstar searches the equity universe for the most highly rated stocks while paying due consideration to numerous factors including risk and correlation to other securities. These strategies are designed to provide market exposure based on style and market capitalization and can be used to invest in specific market segments as well as U.S. and international stocks. The Dividend Strategy focuses on investing in high-yielding equities with the potential for dividend growth and capital appreciation over a 3 to 5 year rolling time horizon. This strategy is composed of equities across a broad spectrum of industries and these equities typically are significantly undervalued, financially healthy and founded on a strong, durable business model. Many of the dividend-paying stocks in this strategy boast a durable competitive advantage of some sort including economies of scale, iconic branding or patent protection. Positions in the strategy may also include master and limited partnerships for accounts other than qualified retirement accounts (i.e., ERISA accounts and IRAs) as well as real estate investment trusts ("REITs"). In the case of qualified retirement accounts, the Dividend Strategy will not invest in master and limited partnerships.

#### Russell Model Strategies

The **Russell Model Strategies** offer clients discretionary investment management based on strategic asset allocation models developed by Russell Investment Management, LLC ("Russell"). The models vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives. The models are composed of Russell mutual funds.

##### *Core Model Strategies*

The Russell Core Model Strategies invest in managed mutual funds designed to match the client's desired asset allocation and investment objectives. Russell offers five selections under the Core Model Strategies, in which client's Financial Advisor recommends a desired asset allocation for the client, and a corresponding portfolio, based on the needs, risk profile, financial situation and objectives identified in the Investor Questionnaire. The Russell Core Portfolio selections consist of the following: Equity Growth, Growth, Balanced, Moderate and Conservative. The Russell Core Portfolio selections include an allocation to "alternative investments" (for example, managed futures, private placements, shares in limited partnerships, non-registered and non-traded securities and infrequently priced securities).

##### *Tax-Managed Model Strategies*

The Russell Tax-Managed Model Strategies generally reflect the allocations of the Russell Core Model Strategies, but are managed with sensitivity to taxes. It is important to note that the objective of the Russell Tax-Managed portfolios is risk adjusted returns primarily, and tax efficiency secondarily. The Russell Tax-Managed portfolios cannot entirely avoid the realization of capital gains. Tax liability generated by the underlying investments and/or management of the strategic allocation will not be eliminated entirely. The Russell Tax-Managed Portfolio selections consist of the following: Equity Growth, Growth, Balanced, Moderate and Conservative. ERISA and IRA accounts are not eligible for a Russell Tax-Managed Model Strategy.

#### Lazard U.S. Equity Select Tax Aware Strategy

The Lazard U.S. Equity Select Tax Aware Strategy offers a diversified, mega/large cap portfolio that invests in financially productive companies (e.g. high return on equity, free cash flow, return on assets, cash flow return

on investment), employing intensive fundamental analysis and accounting validation to identify investment opportunities. The strategy is intended to be managed in a tax-efficient manner by minimizing turnover and short-term capital gains.

#### *SmartPath Index Funds and ETF Portfolios*

The SmartPath Index Funds and ETF Portfolios offer our clients discretionary investment management of their assets for a single wrap fee and client assets in the SmartPath Index Funds and ETF Portfolios will be invested primarily in a combination of Index Funds and ETFs. We will assist you in selecting the appropriate portfolio in the SmartPath Index Funds and ETF Portfolios, monitoring results and making ongoing investment management changes or adjustments, taking into account any changes to your personal financial circumstances or goals. We provide investment advisory services, while the Program Custodian (Pershing LLC) provides securities execution, custodial and other administrative services, all for a single wrap fee. As discussed above (see “**Our Wrap Fee Programs**”), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client’s participation in the SmartPath Index Funds and ETF Portfolios.

You have the option of designating a preference for “tax aware” investments, in which case the fixed income portion of the assets in your investment in the SmartPath Index Funds and ETF Portfolios will be invested primarily in Index Funds or ETFs that invest in municipal bonds or similar securities designed to pay income that is exempt from U.S. federal personal income taxes under current laws. We make no representations whether any income from such tax aware investments will, in fact, be exempt from U.S. federal personal income taxes. In addition, other federal, state or local taxes may apply.

Currently, the following SmartPath Index Funds and ETF Portfolios are available:

- Moderately Conservative – This portfolio is designed for clients who desire to maintain the purchasing power of their assets, but are comfortable with a low level of risk.
- Moderate Growth – This portfolio is designed for clients who desire growth of assets that is balanced by risk management against volatility, and the potential for a moderate level of risk.
- Growth – This portfolio is designed for clients who desire growth of their assets with a minimal emphasis on income. These clients may have a longer investment time horizon and are willing to accept greater short-term potential volatility in exchange for higher potential long-term returns.
- Aggressive Growth – This portfolio is designed from clients who are comfortable with a high degree of return volatility in exchange for long-term returns that are potentially higher than any of the other SmartPath Index Funds and ETF Portfolios. We seek to maximize capital appreciation through investments in Index Funds and ETFs which may have a high degree of risk.

We will establish a minimum and maximum weighting for equity securities, fixed income and cash equivalents for each portfolio in the SmartPath Index Funds and ETF Portfolios. The SmartPath Index Funds and ETF Portfolios may invest in global and domestic money market mutual funds and in global and domestic ETFs and Index Funds that invest in, or provide exposure to, equity securities, fixed income securities, cash equivalents, commodities (including, but not limited to, gold), currencies and alternative asset classes.

#### *Separately Managed Account (SMA) Program*

The SMA Program is a wrap account product that offers clients discretionary management of their assets by SMA Managers across a broad spectrum of investment strategies. Assets in each SMA Strategy will be invested in equity or fixed income securities that are selected by the SMA Managers in accordance with the investment strategies and objectives of the SMA Strategy. We provide our clients with investment advisory services in connection with the client's selection of an SMA Manager based on each client's investment goals and objectives while the SMA Manager, not us, exercises complete discretion over the client's assets. The discretion granted to the SMA Manager will include decisions as to which securities to purchase and sell, asset allocation and account rebalancing.

As part of the investment advisory services we provide to clients, we will conduct initial and continuous research and due diligence on the SMA Managers, assist clients in determining whether the SMA Strategies are appropriate for the client based on the client's Investor Questionnaire and monitor the results achieved by the SMA Managers. Our investment advisory services, SMA Manager fees and securities execution, custodial and other administrative services provided by the Program Custodian are all provided for a single wrap fee. As discussed above (see "**Our Wrap Fee Programs**"), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client's participation in the SMA Program.

Clients must establish a separate account for each SMA Strategy in which they invest.

#### *SmartPath® Unified Managed Account (UMA) Program*

The SmartPath® UMA Program offers our clients discretionary investment management of their assets for a single wrap fee. Client assets in the UMA Model Strategies will be invested in equity and/or fixed income mutual funds and ETFs and/or individual equity securities, depending on the UMA Model Strategy selected by the client. The UMA Model Strategies will be provided to us by a UMA Model Strategist selected by us from time to time. Currently, the UMA Model Strategist is our affiliate, Compass Bank.

We will assist the client in determining whether a UMA Model Strategy is appropriate based on the client's Investor Questionnaire and will monitor the results obtained by the UMA Model Strategy. We provide discretionary investment advisory services while the Program Custodian provides securities order-entry, clearance and execution services and custodial and other administrative services all for a single wrap fee. As discussed above (see "**Our Wrap Fee Programs**"), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client's participation in the SmartPath UMA Program.

You grant us full trading authority over your SmartPath UMA Program account consistent with your investment objective, including the authority, without your approval from or prior notice to you, to make purchases and sales within the client's account and to determine the combination of investment strategies and vehicles that will comprise the UMA Model Strategy. Nonetheless, ordinarily we will exercise our investment discretion solely to buy and sell assets within the account to correspond to changes in the UMA Model Strategy based on the recommendations from the UMA Model Strategist. However, the holdings and allocations in a UMA Model Strategy may not exactly match the holdings and allocations recommended by the UMA Model Strategist as we maintain the discretion to use an individual security or investment vehicle other than that recommended by the UMA Model Strategist but which we determine is comparable. The UMA Model Strategist does not exercise discretionary authority over your account, does not serve as your portfolio manager and does not provide investment advice based on the client's individualized financial situation, needs or objectives.

In addition, we maintain the authority to direct the purchase, sale or exchange of assets in order to rebalance the investments in the client's account as necessary to maintain the target allocation for the UMA Model Strategy selected by the client taking into account changes in the market value of the securities or other investments, income, realized or unrealized gains and other factors and minimum tolerances established by us or the UMA Model Strategist from time to time and any minimum rebalancing intervals established by us or the UMA Model Strategist from time to time.

Notwithstanding the foregoing, in the event, with our approval, a portion of a SmartPath UMA Program account is invested with an SMA Manager, the SMA Manager, and not us or the UMA Model Strategist, will be responsible for securities selection and trading decisions with respect to the assets assigned to the SMA Manager and we will not exercise investment or trading discretion over such assets.

We do not, however, have the authority to change the UMA Model Strategy selected by the client without the client's prior approval.

Currently, the SmartPath UMA Program offers the following UMA Model Strategies:

- Aggressive Growth – This strategy seeks to maximize capital appreciation through allocation of client assets solely among equity securities. Clients investing in this strategy are comfortable with a high degree of volatility and risk in exchange for potentially higher long-term returns than other UMA Model Strategies.
- Growth – Clients investing in this strategy seek asset growth with a minimal emphasis on income and assets in this strategy are invested mostly in equity securities with a portion invested in fixed income Funds. This strategy is appropriate for clients with a longer time horizon and who can accept short-term volatility in exchange for higher long-term potential returns.
- Moderate – This strategy is designed for clients who seek asset growth and the potential for a moderate level of income balanced with an appropriate level of volatility and risk. Investments in this strategy are roughly split between individual equity securities, equity-based mutual funds and/or ETFs and fixed income ETFs although the allocation between equities and fixed income will not always be exactly equal.
- Moderate Conservative – This strategy focuses on maintaining the purchasing power of client assets while taking on a low level of risk. Assets are invested primarily in fixed income ETFs while a smaller portion of the assets is invested in individual equity securities, mutual funds or ETFs.
- Conservative – This strategy is available for clients seeking preservation of capital and those who prefer a low degree of risk and volatility in investment of the assets. A significant portion of the client's assets are invested in fixed income ETFs with a small investment in equity securities.

With the exception of the Aggressive Growth UMA Model Strategy, clients have the option of selecting a "tax aware" UMA Model Strategy in which the fixed income portion of the investment in the SmartPath UMA Program will be invested primarily in Funds that invest in municipal bonds and similar securities designed to pay income that is exempt from U.S. federal personal income taxes under current laws. We make no representations whether the income from investments in municipal bonds or similar securities will, in fact, be exempt from U.S. federal personal income taxes. Other local, state or federal taxes may apply.

Please note that clients must establish a separate account for each UMA Model Strategy in which they invest.

## *SmartPath® Managers Portfolios*

The SmartPath® Managers Portfolios Program is a wrap account product offering the client the opportunity to receive personalized portfolio management services from us, as your portfolio manager, based on the SmartPath Core Portfolio (the “Managers Program Portfolios”). We provide investment advisory services, while BBVA Securities Inc. and the Program Custodian provide securities execution, custodial and other administrative services, all for a single wrap fee. As discussed above (see “**Our Wrap Fee Programs**”), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client’s participation in the SmartPath Managers Portfolios.

- **SmartPath Core Portfolio.** Under the SmartPath Core Portfolio, your assets are invested predominantly based on the Core Equity Model, which is a combination of equity securities, equity exchange-traded funds and money market mutual funds (or other short-term investment vehicles) selected for the “Core Model” maintained by St. Johns Investment Management Company L.L.C (“SJIM”), an independent investment advisory firm. Overall strategy, target allocations and securities buy and sale transactions will be recommended to us by SJIM from time to time as SJIM deems appropriate and such recommendations will be reviewed on a periodic basis by our Managers Portfolios Team. See below under “**The Types of Investments We Make – SmartPath Core Portfolio**” for additional information concerning the types of investments that will be purchased for the SmartPath Core Portfolio. The Core Model is a long-term strategy model managed to pursue long-term growth.

You will grant us full investment discretion consistent with the objectives of the Program and your Program account. Ordinarily we will exercise our discretion solely to buy and sell assets within your account to correspond to changes in the SmartPath Core Portfolio based on the recommendations provided to us by SJIM. In some cases, however, the actual holdings and allocations of accounts in the SmartPath Core Portfolio will not match precisely the holdings and allocations recommended by SJIM, including that we may, in our discretion, determine to utilize a security, mutual fund, ETF or other investment vehicle other than that recommended by SJIM but which we determine is comparable. In all cases, we will have full authority to make purchases and sales without your prior approval and without prior notice to you. SJIM does not exercise any discretionary authority over your assets, does not serve as your account’s portfolio manager or provide investment advice based on your individualized financial situation, needs or objectives.

We also will have the discretionary authority to purchase, sell or exchange assets in order to rebalance the investments within your account as necessary to maintain the target allocation for the SmartPath Core Portfolio established from time to time, taking into account changes in the market value of the securities or other investments, income and other factors and any minimum “tolerances” we may establish from time to time (“Target Allocation Tolerances”). We will not be obligated to rebalance the investments within your account more frequently than quarterly or, in any event, unless the variance between the current allocation and the target allocations are in excess of the Target Allocation Tolerances we have established.

**Note: As of October 20, 2014, the SmartPath Core Portfolio is no longer offered to new investors.**

Under the SmartPath Managers Portfolios Program, we will not take into account the possible tax impact on your assets held under the Program or elsewhere.

A SmartPath Managers Portfolio account, in and of itself, may not afford you the opportunity to achieve a portfolio that is diversified across asset classifications. You should consider whether you should supplement your SmartPath Managers Portfolio account, through investments in one or more of the SmartPath Diversified Portfolios or investments outside the Program, with exposure to other asset classifications, as appropriate.

#### *Lockwood Advisory Products*

As wrap fee program sponsor, we offer clients the opportunity to participate in the **Lockwood LAAP**, the **Lockwood LIS** and the **Lockwood AFP**, each of which is an investment advisory product provided by Lockwood. Lockwood LIS, Lockwood LAAP and Lockwood AFP are referred to below collectively as the “Lockwood Advisory Products.” Lockwood provides administrative services to us relating to the Program and provides discretionary portfolio management services to the client relating to the Lockwood Advisory Products. Certain aspects of the client’s participation in the Program will be coordinated through the Introducing Broker-Dealer (i.e., our affiliate, BBVA Securities Inc., in its capacity as introducing broker for the Program Custodian (Pershing LLC)). The Program Custodian provides custody and clearing services in connection with the Lockwood Advisory Products. Lockwood and Program Custodian are not affiliated with us or BBVA Securities Inc. To the extent described below, the Financial Advisor will assist the client in connection with client’s participation in the Program and regarding client’s implementation of the client’s selected Lockwood Advisory Product (the “Designated Lockwood Product”).

We provide the following services to you in connection with your participation in the Lockwood Advisory Products program:

1. We are responsible for obtaining and maintaining information concerning your financial situation and investment objectives, including through the Investor Questionnaire;
2. We will assist you in determining whether a Lockwood Advisory Product is suitable to pursue your investment objectives;
3. We will assist you in selecting a suitable model portfolio or portfolios within the Designated Lockwood Product;
4. We will coordinate with the Introducing Broker-Dealer to assist you in completing the paperwork in order to open necessary accounts and in funding such accounts;
5. We will review, in the case of Lockwood LIS and Lockwood LAAP, changes in the model portfolio(s) requested by you or instituted by Lockwood for your account and, in the case of Lockwood AFP, our Financial Advisor will assist you in selecting a model portfolio or model portfolios available in Lockwood AFP, in reviewing Model Updates (as defined below) and in determining whether the Primary Selections (as defined below) available within the model portfolio recommended by Lockwood are suitable for you;
6. In the case of Lockwood AFP, we will exercise limited investment discretion as described below;
7. We will contact you at least once annually to inquire whether there any been any changes in your financial situation, risk tolerance, investment objectives or investment needs or if you wish to impose any reasonable restrictions on the management of a Program account or reasonably modify existing restrictions;
8. At least quarterly, we or another person designated by us will notify you in writing (either through the periodic account statements provided by Program Custodian or otherwise) to contact us or a person designated by us if there have any been any changes in your financial situation, risk tolerance, investment objectives or investment needs or if you wish to impose any reasonable restrictions on the management of your Program account or reasonably modify existing restrictions, and provide you a means through which you may contact us or a person designated by us regarding such matters;



9. Our Financial Advisor and other of our personnel knowledgeable regarding the management of your Program account(s) will be reasonably available to you for consultation; and
10. If you notify us of material changes to the information in your Investor Questionnaire and of any other changes in your financial situation, risk tolerance, investment objectives or needs, we will work with you in order to assist you in determining whether the current or model portfolio(s) and investment vehicles utilized for your Program account remain suitable.

Brief descriptions of the Lockwood Advisory Products appear below. Clients should refer to the Lockwood Form ADV Part 2A Firm Brochure for more information regarding the investment vehicles, strategies and models available through the Lockwood Advisory Products.

Lockwood LIS – “Lockwood Investment Strategies” (or “Lockwood LIS”) is a unified managed account product. Lockwood LIS offers the client a discretionary, multi-discipline managed account product housed in a single portfolio. Five core (“Traditional”) models are available, which span the risk/return spectrum from current income to growth. Client also may choose from four additional “Alternative” models providing exposure to non-traditional asset classes. Lockwood serves as portfolio manager of Lockwood LIS, and, in that capacity, determines asset allocation and determines the third-party managers (“Sub-Advisers”) and specific investment vehicles, as applicable, based on its proprietary modeling strategies, and its economic outlook. Lockwood selects Sub-Advisers and/or investment vehicles (such as exchange-traded funds or mutual funds) for each investment style. Each Sub-Adviser, if applicable, provides Lockwood with its model portfolio buy list. Lockwood, as “overlay” manager, combines each of the model portfolios into one LIS portfolio designed to perform and act similar to a defined target benchmark and uses software to find ways to minimize tax implications and create better tracking to the target benchmark. Lockwood evaluates a number of factors in selecting investment vehicles for the LIS portfolios, including the vehicle’s own merits, how the vehicle fits into the overall strategy, the amount allocated to the investment style, availability of the vehicle, fees, liquidity, investment minimums and operational issues. Individual securities, instead of mutual funds and exchange-traded funds, may be used for allocations where Lockwood seeks active securities selection. Client grants Lockwood full investment discretion to invest the client’s Program account assets in accordance with Client’s identified investment objective. Lockwood may shift its models from time to time based on economic models and changing investment fundamentals. Suitability is determined by us at the client-account level based on model expectations and client’s Investor Questionnaire.

Lockwood LAAP – “Lockwood Asset Allocation Portfolios” (or “Lockwood LAAP”) is a mutual fund and exchange-traded fund wrap account product. Lockwood LAAP offers the client a discretionary, multi-discipline managed account product contained in a single portfolio. Lockwood serves as portfolio manager of Lockwood LAAP and, in that capacity, determines the asset allocation strategy and selects investment vehicles for each investment style in the portfolio, based upon proprietary modeling strategies, economic outlook and investment research discipline. Five risk-based model portfolios are available, which span the risk/return spectrum from current income to growth. The portfolios may consist of open and closed-end mutual funds, exchange-traded funds and other types of securities, as determined by Lockwood, in its sole discretion. Lockwood evaluates a number of factors in selecting investment vehicles for the LAAP portfolios, including the vehicle’s own merits, how the vehicle fits into the overall strategy, the amount allocated to the investment style, availability of the vehicle, fees, liquidity, investment minimums and operational issues. Individual securities, instead of mutual funds and exchange-traded funds, may be used for allocations where Lockwood seeks active securities selection. Client grants Lockwood full investment discretion to invest the client’s program account assets in accordance with the client’s identified investment objective. Lockwood may shift its models from time to time based on economic models and changing investment fundamentals.

Suitability is determined by us at the client-account level based on model expectations and client's Investor Questionnaire.

Lockwood AFP – “Lockwood AdvisorFlex Portfolios” (or “Lockwood AFP”) is a flexible mutual fund and exchange-traded fund wrap account product. Lockwood AFP provides access to a diversified portfolio of investments in a single account based on the client's particular risk tolerance and investment objectives based on the client's Investor Questionnaire. Lockwood AFP includes three, objectives-based strategies (Appreciation, Income and Preservation), with multiple models within each strategy. Currently 16 model portfolios are available, with the model portfolios being calibrated to help clients achieve their investment goals throughout their financial life cycles. Lockwood, serving as portfolio manager for Lockwood AFP, initially determines the asset allocation and the various investment vehicles that may constitute the model portfolios of each strategy. Such investment vehicles may include open-end mutual funds, exchange-traded funds and exchange-traded notes. Lockwood will recommend the initial model portfolio for the client's account, but the client is responsible for selecting the model portfolio and for choosing the specific investment selection within the model from several investment options (consisting of primary investment selections (“Primary Selections”) and alternate investment selections (“Alternate Selections”)) identified by Lockwood. Certain asset classes may contain only Primary Selections and, in Lockwood's sole discretion, Alternate Selections will not be made available in those cases. Lockwood will implement certain updates and changes to the model portfolios (“Model Updates”) throughout the life of the client's Lockwood AFP account, and the client grants Lockwood the limited discretion to implement such Model Updates. Model Updates may include replacing one investment vehicle with another and/or changing the asset allocation within a model portfolio. Client is responsible for reviewing all Model Updates. Lockwood, in its sole discretion, may rebalance the client's account in such instances as Lockwood determines is in client's best interests. In addition, Lockwood will review the drift of the client's account from the selected model portfolio on a regular basis and will rebalance the account as the circumstances warrant. Lockwood also may adjust the underlying assets in a model portfolio from time to time to realign the model portfolio's performance with its expectations.

Based on the client's Investor Questionnaire, the Financial Advisor will assist the client in selecting a model portfolio or model portfolios available in Lockwood AFP, in reviewing Model Updates and in determining whether the Primary Selections available within the model portfolio recommended by Lockwood are suitable for the client. Client grants us limited discretion to choose Primary Selections for the model portfolio on behalf of the client without obtaining the client's prior approval if and as determined by us to be appropriate in light of the client's goals and financial circumstances identified in the client's Investor Questionnaire. We are not obligated to exercise such limited discretion, however, and we reserve the right to obtain the client's approval in each instance. The client is permitted to select one or more Alternative Selections in lieu of Primary Selections, but neither we nor Lockwood will be responsible for such selections or for providing the client any recommendation regarding any such Alternative Selection.

## **The Types of Investments We Make**

### ***Investment Risks***

Our investment approach seeks to take into account the potential of risk of loss and to match the investment strategy employed for each client with the client's tolerance for potential fluctuations in markets and incurring losses. However, it should be noted that all investments are subject to risk of loss of all or a portion of the assets invested and that, generally it is necessary to invest in assets that have a higher risk of loss in order to obtain a higher potential for long-term gains. There is no guarantee that any of the portfolios or strategies

available under the Programs will meet your objectives or will, in any event, protect your assets from the potential for losses.

The types of risk you will incur will defer based on the particular investment strategy employed and the types of investments made in pursuit of the strategy and the level of “exposure” to each category of investments. Some or all of the following types of risks may be present:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Financial Risk:** Excessive borrowing to finance a business’ operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Liquidity Risk:** When consistent with a client’s investment objectives, guidelines, restrictions and risk tolerances, Advisor may invest portions of client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict its ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities.
- **Risks Associated with Partnership Investments:** Some partnerships are relatively liquid and may be either exchange listed or traded over-the-counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.
- **Equity Investment Risk:** Equity investments are highly volatile and are subject to stock market risk, with the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- **Investment Selection Risk:** When a particular stock, bond or other investment is selected by you or your portfolio manager, there is a risk that the investment selected will underperform the general market and/or other comparable investments within the same asset classification.
- **Fixed Income Risk:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor

receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

- **Foreign, Emerging Markets Equity and Fixed Income Risk:** Investments in these types of securities have considerable risks: investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers; foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets securities exchanges, and are less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.
- **Small Company Investment Risk:** Smaller companies typically have a higher risk of failure and are not as well-established as larger "blue-chip" companies. Historically, smaller company stocks have experienced a greater degree of market volatility than the overall market average.
- **Large Company Investment Risk:** There is a risk that large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better – or worse – than the stock market in general. The duration of these periods have, in the past, lasted for as long as several years and, in any event, cannot be predicted.
- **High-Yield Fixed-Income Securities Risk:** Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.
- **Real Estate Investing Risk:** Investments in real estate have numerous risks including lack of liquidity and potential devaluation based on adverse economic and regulatory changes, among other things.
- **Structured Products Risk:** Structured products involve a significant amount of risks, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.
- **Commodity Risk:** The price of commodities, such as gold and currency, is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

## ***Investments***

### ***SmartPath® Diversified Portfolios***

The SmartPath Diversified Portfolios Program provides clients discretionary portfolio management services based on a SmartPath Diversified Model Portfolio maintained by us. The SmartPath Diversified Model Portfolios are composed of Funds (as defined above) selected by our SmartPath Portfolios Team.

To the extent consistent with a SmartPath Diversified Model Portfolio's objective, we seek to broadly diversify the SmartPath Diversified Model Portfolios across various factors, including assets classes, styles, geographies, sectors and industries. Each of the SmartPath Diversified Model Portfolios may invest in global and domestic money market mutual funds and in global and domestic mutual funds and exchange-traded funds that invest in, or provide exposure to, fixed income securities (including lower-rated, high-yield securities, commonly referred to as "junk bonds"), cash equivalents, commodities (including but not limited to gold), currencies and alternative asset classes, as applicable. Each of the SmartPath Diversified Model Portfolios, other than the Conservative and Muni Fixed Income Model Portfolios, may invest in mutual funds or exchange-traded funds that invest in equity securities or that provide exposure to equity securities. In the case of Moderately Conservative, Moderate Income, Moderate Growth, Growth and Aggressive Growth Model Portfolios, we will establish predetermined bands of minimum and maximum weightings for equity, fixed income and cash equivalent assets, respectively. In the case of Conservative and Muni Fixed Income Model Portfolios, we will establish predetermined bands of minimum and maximum weightings for fixed income and cash or cash equivalents. As noted above, although the Muni Fixed Income Model Portfolio may invest in global and domestic mutual funds and exchange-traded funds that provide exposure to other fixed income securities, cash equivalents, commodities, currencies and alternative assets classes, the Muni Fixed Income Model Portfolio will be invested primarily in Funds that hold municipal bonds and similar securities designed to pay income that is exempt from U.S. personal federal income taxes under current U.S. laws.

#### *Model Strategies Portfolios*

##### Morningstar Retirement Income Strategies

A range of four model portfolios is available, with the respective model portfolios being designed by Morningstar to address different distribution needs and risk tolerances during retirement. The model portfolios are composed primarily of mutual funds selected by Morningstar. See above under "**Our Advisory Services** – *Model Strategies Program* – Morningstar Retirement Income Series" for information concerning the types of investments selected by Morningstar for the Morningstar Retirement Income Strategies.

##### Morningstar Select Stock Basket Dividend Strategy

We currently offer the Morningstar Select Stock Basket Dividend Strategy, one of the Morningstar Select Stock Basket Strategies. The Morningstar Select Stock Basket Dividend Strategy invests primarily in equities across a broad spectrum of industries and, for accounts other than qualified retirement accounts (i.e., ERISA accounts and IRAs), may also invest in master & limited partnerships and REITs. See above under "**Our Advisory Services** – *Model Strategies Program* – Morningstar Select Stock Basket Dividend Strategy" for information concerning the types of investments selected by Morningstar for the Morningstar Select Stock Basket Dividend Strategy.

##### Russell Model Strategies

The strategic asset allocation models developed by Russell vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives. The models are composed of mutual funds in the Russell Funds. See above under "**Our Advisory Services** – *Model Strategies Program* – Russell Model Strategies" for information concerning the types of investments selected by Russell for the Russell Model Strategies.

### Lazard U.S. Equity Select Tax Aware Strategy

The Lazard U.S. Equity Select Tax Aware Strategy seeks to invest in financially productive (e.g. high return on equity, free cash flow, return on assets, cash flow return on investment) companies, employing intensive fundamental analysis and accounting validation to identify investment opportunities. The Lazard U.S. Equity Select Tax Aware Strategy invests in equity securities and typically invests in 35-55 companies with large market capitalizations, usually greater than \$5 billion, representing a broad spectrum of sectors and industries. See above under “**Our Advisory Services – Model Strategies Program – Lazard U.S. Equity Select Tax Aware Strategy**” for more information concerning the types of investments selected by Lazard for the Lazard U.S. Equity Select Tax Aware Strategy.

### *SmartPath Index Funds and ETF Portfolios*

The SmartPath Index Funds and ETF Portfolios provide clients discretionary portfolio management services based on a portfolio created and maintained by us. The SmartPath Index Funds and ETF Portfolios are composed of Index Funds and ETFs selected by our SmartPath Portfolios Team.

To the extent consistent with the objective for selected SmartPath Index Funds and ETF Portfolio, we seek to broadly diversify the portfolios across various factors, including assets classes, styles, geographies, sectors and industries. Each portfolio may invest in global and domestic money market mutual funds and in global and domestic Index Funds and ETFs that invest in, or provide exposure to, equity securities, fixed income securities (including lower-rated, high-yield securities, commonly referred to as “junk bonds”), cash equivalents, commodities (including, but not limited to, gold), currencies and alternative asset classes, as applicable. As noted above, clients investing in the SmartPath Index Funds and ETF Portfolios have the option of designating a preference for “tax aware” investments and, for those investments, the fixed income portion of the client’s assets will be invested primarily in Index Funds and ETFs that hold municipal bonds and similar securities designed to pay income that is exempt from U.S. personal federal income taxes under current U.S. laws.

### *SMA Program*

Numerous SMA Strategies are available for clients with each strategy designed to fulfill different investment needs. The specific investments in each SMA Strategy are selected by the SMA Managers in their discretion and include either equity or fixed income securities. See above under “**Our Advisory Services – Separately Managed Accounts**” for information concerning the types of securities selected by the SMA Managers for each SMA Strategy.

### *SmartPath UMA Program*

We currently offer nine UMA Model Strategies to our clients and each strategy is designed to meet differing investment objectives and needs of our clients. All UMA Model Strategies invest a portion of the client’s assets in individual equity securities and equity Funds and the percentage of investment assets invested in such equity securities will depend on the strategy selected and risk assumed by the client.

With the exception of the Aggressive UMA Model Strategy, where 100% of the client’s assets are invested in equity securities, each of the UMA Model Strategies also invests a portion of client assets in Funds providing exposure to fixed income securities and the amount allocated to fixed income Funds is dependent upon the strategy selected by the client. Further, for those UMA Model Strategies that provide exposure to fixed income

through Funds, the client can select a “tax aware” preference, in which case the fixed income component of the client’s account will be invested in Funds that invest in municipal bonds and similar securities designed to pay income that is exempt from U.S. federal personal income taxes under current laws. We make no representations whether the income from investments in municipal bonds or similar securities will, in fact, be exempt from U.S. federal personal income taxes. Other local, state or federal taxes may apply.

### *SmartPath® Managers Portfolios*

The SmartPath Managers Portfolios Program provides clients personalized portfolio management services through the SmartPath Core Portfolio.

#### SmartPath Core Portfolio

Your account will be invested predominantly in the “Core Equity Securities,” a portfolio of equity securities and equity ETFs selected for the “Core Model” maintained by SJIM. The Core Model is a long-term strategy model managed to pursue long-term growth. Typically the Core Model will have between 40 - 60 individual equities and equity ETFs at a given time. Investments for the Core Model are selected by SJIM primarily from large capitalization U.S. companies spread across ten (10) designated industry sectors. Typically, a portion of your portfolio will be invested in “cash equivalents” in the form of money market mutual funds or other short-term investment vehicles. Otherwise, your account will be invested only in equity securities (either directly or through equity ETFs). Equity securities and equity ETFs for the SJIM Core Model are selected on the basis of specific overview portfolio attributes. Typically, the attributes considered focus on historic growth, profitability and valuation, and take into account independent research obtained by SJIM from various outside sources.

**Note: As of October 20, 2014, the SmartPath Core Portfolio is no longer offered to new investors.**

### ***Selected Information Regarding Fund Investments***

Investments in Funds are subject to various fees, charges and expenses which will be borne by you and that are in addition to the Wrap Fee. See below under “**The Fees We Charge.**”

**Mutual Funds:** Mutual funds are investment companies that are registered under the Investment Company Act of 1940. Typically, mutual funds are managed by investment advisers who research, select and monitor the securities held in the fund. Mutual funds sell and redeem their shares at NAV. Equity-based mutual funds are subject to risks similar to those of stocks. Fixed-income mutual funds are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk. Mutual funds that invest in foreign (non-U.S.) securities have unique and greater risks than mutual funds that invest only in U.S. domestic securities. Investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. **Past performance is no guarantee of future results.**

**ETFs:** ETFs are investment companies that are registered under the Investment Company Act of 1940 and typically have the flexibility of intraday trading. Typically, ETFs are passively managed and seek to track specific domestic or foreign market indices, and may provide investors with diversification, certain tax and cost efficiencies and liquidity. Generally, ETF shares are traded on an on-going basis, the market determines prices and investors can buy and sell shares at any time that the markets are open. Since ETFs are priced continuously by the market, there is a potential for trading to occur at prices other than the NAV.

An index-based ETF seeks to track the performance of its corresponding index by either replicating the securities in the index or by holding a representative sample of the securities in the index. Typically, the expenses of an ETF are lower than the expenses of actively managed mutual funds, which generally have higher management fees and brokerage expenses. However, investors who buy and sell ETF shares in the secondary market generally pay brokerage commissions in connection with those transactions.

Equity-based ETFs are subject to risks similar to those of stocks. Fixed-income ETFs are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk. ETFs that invest in foreign (non-U.S.) securities have unique and greater risks than ETFs that invest only in U.S. domestic securities. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. **Past performance is no guarantee of future results.**

**Money Market Mutual Funds:** Money market mutual funds are investment companies that are registered under the Investment Company Act of 1940, which, like other mutual funds, are managed by investment advisers that select and monitor the securities held in the fund and sell and redeem their shares at NAV.

*An investment in a money market mutual fund is not insured or guaranteed by the United States Government, the Federal Deposit Insurance Corporation or any other governmental agency. Money market mutual funds seek to maintain the value of investments made in the funds at \$1.00 per share; however, it is possible to lose money by investing in a money market mutual fund.*

### ***Prospectuses and Other Disclosure Documents***

Where we exercise full investment discretion over your Program account, you will authorize us to receive prospectuses and offering circulars, offering memoranda, disclosure statements and other offering documents ("Investment Disclosure Documents") on your behalf. Nonetheless, in most instances, you will be provided the prospectus for any registered Funds purchased for your Program accounts. You may receive copies of Investment Disclosure Documents we receive on your behalf by contacting us.

### **The Fees We Charge**

#### *Wrap Fee*

Under each of the Programs, the client will be obligated to pay us a periodic fee based on a percentage of assets under management (the "Wrap Fee"). Except as noted in this Program Brochure, the Wrap Fee includes and encompasses all our asset allocation and investment management services, the fees of any portfolio manager or model provider engaged under the Program to provide services for your Program account, as well as all brokerage commissions and other transaction costs for transactions executed through the Program Custodian on an agency basis, all monitoring and reporting services and all custody services associated with participation in the applicable Program. The Program Custodian's compensation will be paid out of the Wrap Fee or separately by us. However, you will incur certain additional charges and expenses as described below.

### **SmartPath® Diversified Portfolios and SmartPath® Managers Portfolios**

| <b><u>Accounts Opened Prior to January 1, 2015</u></b> |                        |
|--|------------------------|
| <u>Asset Level</u>                                     | <u>Annual Wrap Fee</u> |
| First \$500,000  | 1.50%                  |



|                           |       |
|---------------------------|-------|
| Next \$500,000            | 1.35% |
| Next \$1,000,000          | 1.30% |
| \$2,000,000 - \$5,000,000 | 1.25% |
| Above \$5,000,000         | 1.15% |

**Special Rules Applicable to Accounts Opened Prior to October 20, 2014:** Until further written notice from us, clients who established a SmartPath Diversified Portfolios account or SmartPath Managers Portfolios account prior to October 20, 2014 and who do not open an additional Program account after that date will continue to pay a Wrap Fee at the lower of any negotiated fee arrangement between the client and us in effect prior to October 20, 2014 and the following rate: 1.50% if client's total assets under management is less than \$500,000; 1.25% if client's total assets under management is between \$500,001 - \$1,000,000; and 1.00% if client's total assets under management is above \$1,000,000. In the event the client opens an additional account under any of the Programs after January 1, 2015, the fee table for accounts opened on or after January 1, 2015 presented below shall apply from and after the date of the opening of the additional account.

**Accounts Opened On or After January 1, 2015**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.50%                  |
| Next \$500,000     | 1.35%                  |
| Next \$1,000,000   | 1.20%                  |
| Above \$2,000,000  | Negotiable             |

**Model Strategies Program**

**Accounts Opened Prior to January 1, 2015**

| <u>Asset Level</u>        | <u>Annual Wrap Fee</u> |
|---------------------------|------------------------|
| First \$500,000           | 1.50%                  |
| Next \$500,000            | 1.35%                  |
| Next \$1,000,000          | 1.30%                  |
| \$2,000,000 - \$5,000,000 | 1.25%                  |
| Above \$5,000,000         | 1.15%                  |

**Accounts Opened On or After January 1, 2015**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.50%                  |
| Next \$500,000     | 1.35%                  |
| Next \$1,000,000   | 1.20%                  |
| Above \$2,000,000  | Negotiable             |

**SmartPath Index Funds and ETF Portfolios**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.50%                  |
| Next \$500,000     | 1.35%                  |
| Next \$1,000,000   | 1.20%                  |
| Above \$2,000,000  | Negotiable             |

## Lockwood Advisory Products Program

### Lockwood LAAP and Lockwood AFP Accounts

#### **Accounts Opened Prior to January 1, 2015**

| <u>Asset Level</u>        | <u>Annual Wrap Fee</u> |
|---------------------------|------------------------|
| First \$500,000           | 1.50%                  |
| Next \$500,000            | 1.35%                  |
| Next \$1,000,000          | 1.30%                  |
| \$2,000,000 - \$5,000,000 | 1.25%                  |
| Above \$5,000,000         | 1.15%                  |

**Special Rules for Clients Transferring Assets from Lockwood-Sponsored Wrap Fee Program.** Until further notice from us, clients whose Lockwood LAAP or AFP accounts were established under the Lockwood Advisory Products Program with assets transferred from a Lockwood LAAP or Lockwood AFP account previously held under a Lockwood-sponsored wrap fee program account (with respect to which we served as the client's investment consultant) will be eligible to continue to be billed under the fee schedule applicable to them under the Lockwood-sponsored wrap fee program. See our separate Form ADV Part 2A Disclosure Brochure for information regarding the fees applicable to the Lockwood-sponsored wrap fee program.

#### **Accounts Opened On or After January 1, 2015**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.50%                  |
| Next \$500,000     | 1.35%                  |
| Next \$1,000,000   | 1.20%                  |
| Above \$2,000,000  | Negotiable             |

### Lockwood LIS

|                           | <u>Annual Wrap Fee</u> |
|---------------------------|------------------------|
| First \$500,000           | 2.00%                  |
| \$500,000 - \$750,000     | 1.80%                  |
| \$750,001 - \$1,000,000   | 1.75%                  |
| \$1,000,001 - \$2,000,000 | 1.50%                  |
| \$2,000,001 - \$5,000,000 | 1.30%                  |
| Above \$5,000,000         | 1.20%                  |

**Special Rules for Clients Transferring Assets from Lockwood-Sponsored Wrap Fee Program.** Until further written notice from us, clients whose Lockwood LIS accounts were established under the Lockwood Advisory Products Program with assets transferred from a Lockwood LIS account previously held under a Lockwood-sponsored wrap fee program account (with respect to which Sponsor served as the client's investment consultant) will be eligible to continue to be billed under the fee schedule applicable to them under the Lockwood-sponsored wrap fee program. See our separate Form ADV Part 2A Disclosure Brochure for information regarding the fees applicable to the Lockwood-sponsored wrap fee program.

## SMA Program

### **SMA Program – Equity Strategies**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 2.50%                  |
| Next \$500,000     | 2.00%                  |
| Next \$1,000,000   | 1.50%                  |
| Above \$2,000,000  | Negotiable             |

### **SMA Program – Fixed Income Strategies**

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.50%                  |
| Next \$500,000     | 1.25%                  |
| Next \$1,000,000   | 1.00%                  |
| Above \$2,000,000  | Negotiable             |

**SMA Manager Fees.** The management fees payable to SMA Managers is paid out of the Wrap Fee that the client pays us. The management fees payable to the SMA Manager will vary depending upon the SMA Manager selected. In the case of SMA Managers providing equity strategies, the SMA Manager's annual management fees typically will range between 0.40%- 0.60% and in the case of SMA Managers providing fixed income strategies, the SMA Manager's annual management fees typically will range between 0.15%- 0.30%. Additional information concerning the applicable SMA Manager's fees is available upon request.

## SmartPath UMA Program

| <u>Asset Level</u> | <u>Annual Wrap Fee</u> |
|--------------------|------------------------|
| First \$500,000    | 1.75%                  |
| Next \$500,000     | 1.50%                  |
| Next \$1,000,000   | 1.30%                  |
| Above \$2,000,000  | Negotiable             |

As noted above, the Wrap Fee applicable to certain types of Program accounts is negotiable in the case of clients maintaining certain minimum asset levels. In addition, under certain other circumstances (including for promotional purposes), we may negotiate the level of the Wrap Fee and/or the applicable asset thresholds or we may agree to waive a portion of the Wrap Fee.

We offer fee discounts to our current employees, current employees of our affiliates and their household family members that invest in the Program. These fee discounts are not generally available to our advisory clients.

### *How the Wrap Fees Are Calculated*

Except in the case of SmartPath Diversified Portfolios and SmartPath Managers Portfolios accounts opened prior to October 20, 2014\*, the Wrap Fee payable under the Programs is determined and calculated taking into account different levels of fees at different ranges of asset levels. For example, if the client opened a SmartPath Diversified Portfolios account on or after January 1, 2015 and as of the end of a calendar quarter the ending market value of the assets in the account is \$495,000, the client's annual Wrap Fee for the succeeding quarter would be 1.50%. If, on the other hand, the ending market value of the assets in the account were \$600,000, the client's annual Wrap Fee for the succeeding quarter would be 1.50% on the first \$500,000 in assets and 1.35% for the remaining \$100,000 in assets.

\*In the case of SmartPath Diversified Portfolios and SmartPath Managers Portfolios accounts opened prior to October 20, 2014 and whose fees remain “grandfathered” until further notice from us (see the “**Special Rules Applicable to Accounts Opened Prior to October 20, 2014**” beneath the fee schedule for the SmartPath Diversified Portfolios and SmartPath Managers Portfolios above), the applicable rate of the Wrap Fee applicable to all assets in the account depends on level of total assets in the account as of the end of each calendar quarter. For example, if the ending market value of assets in the account as of the end of a calendar quarter is \$495,000 (i.e., below the \$500,000 “breakpoint”), then the client’s annual Wrap Fee for the succeeding quarter would be 1.50%. However, if instead the ending market value of assets in the account as of the end of the calendar quarter is \$600,000 (i.e., above the \$500,000 “breakpoint”), then the client’s annual Wrap Fee for the succeeding quarter would be 1.25%.

The foregoing examples do not take into account certain adjustments in fee calculations and billing to take into account net withdrawals and contributions during the quarter (see below under “*Fee Billing*”).

#### *Householding of Program Balances*

Under certain circumstances approved by us, Program clients will be permitted to combine (household) the balances maintained by them and their immediate family members in other Program accounts for purposes of determining the “Asset Level” applied in calculating their Wrap Fees under each Program. A “household” is generally a group of accounts having the same address of record or the same Social Security Number, subject to certain rules. Individual retirement accounts (“IRAs”), SIMPLE IRAs and other personal retirement accounts generally may be combined for householding; however, other retirement plan accounts subject to ERISA and charitable remainder trusts may not be included. The accounts which may be househanded are subject to our approval and to such rules, procedures and restrictions as we establish from time to time. For additional information, please contact your Financial Advisor.

Among other restrictions, it should be noted that, for purposes of calculating the Wrap Fees applicable to Lockwood Advisory Products Program accounts, clients are not permitted to combine their balances in other BBVA Wealth Solutions Managed Investment Program accounts with balances in their Lockwood Advisory Products Program accounts.

*In addition, under no circumstances will assets in accounts maintained by you with us, or any of our affiliates, other than assets in BBVA Wealth Solutions Managed Investment Program accounts described in this Brochure, be taken into account in calculating the asset thresholds for purposes of determining the applicable Wrap Fee.*

#### *Third-Party Fees Covered by the Wrap Fee*

Under contractual arrangements between us and the Program Custodian, the Program Custodian has agreed to provide various administrative and overlay services, custody services and trade execution and clearance services for Program accounts (“Custodian’s Services”). The fees payable to the Program Custodian for its services (the “Custodian’s Program Fees”) vary based on the aggregate level of assets under the Program. The Custodian’s Program Fees are paid quarterly in advance from the Wrap Fees. Additional information is available upon client request.

Unless otherwise indicated, the Wrap Fee also includes the fees of any Third-Party Model Strategist or other model provider engaged to provide investment services for your Program account and, in the case of the SMA Program includes the fees of the SMA Manager.

- *Morningstar Retirement Income Strategies* -- We pay Morningstar quarterly fees at an annual rate of 0.25% of the aggregate value of all Program accounts using the Morningstar Retirement Income Strategies portfolios.
- *Morningstar Select Stock Baskets* – We pay Morningstar quarterly fees at an annual rate of 0.40% of the aggregate value of all Program accounts using the Morningstar Select Stock Basket Dividend Strategy.
- *Russell Model Strategies* -- Russell currently does not charge a separate advisory fee for its services with respect to Russell Model Strategies and instead is compensated through its fees for services to the Russell Funds utilized in the Russell Model Strategies.
- *Lazard U.S. Equity Select Tax Aware Strategy* – We pay Lazard quarterly fees at an annual rate of 0.40% of the aggregate value of all Program accounts using the Lazard U.S. Equity Select Tax Aware Strategy.
- *SMA Program* – The management fees payable to the SMA Manager will vary depending upon the SMA Manager selected. In the case of SMA Managers providing equity strategies, the SMA Manager’s annual management fees typically will range between 0.40% - 0.60% and in the case of SMA Managers providing fixed income strategies, the SMA Manager’s annual management fees typically will range between 0.15% - 0.30%. Additional information concerning the applicable SMA Manager’s fees is available upon request.
- *SmartPath UMA Program* – We pay our affiliate, Compass Bank, an annual fee of 0.15% for its services as model provider for the UMA Model Strategists.
- *SmartPath Core Portfolio* -- For its services as model provider, we pay SJIM quarterly fees at an annual rate of 0.15% of the total assets invested by clients in the SmartPath Core Portfolio, subject to a minimum of \$12,500 per quarter and certain maximum quarterly amounts.

As noted above, the fees payable to the Third-Party Model Strategist (and other model providers) vary from Program to Program and, in addition, the fees payable to the SMA Manager will vary dependent on the SMA Manager selected. **As a result, the “net” Wrap Fee retained by us will vary dependent upon the Program selected and the particular Third-Party Model Strategist (or other model provider) or SMA Manager utilized for the client’s Program account(s) and this presents a conflict of interest.** However, compensation paid to the Financial Advisor for the client’s Program account does not vary from one Program account to another and the client maintains the ultimate choice and ability to select his/her own Program account.

*Lockwood Advisory Products* -- In the case of the Lockwood Advisory Products, the Wrap Fee encompasses the following fees to Lockwood, which covers Lockwood’s fees for portfolio management services in connection with the Lockwood Advisory Products and the applicable Custodian’s Program Fees:

#### **Lockwood LIS and Lockwood LAAP**

| <u>Household Asset Level</u> | <u>Gross/Net Fees Payable to Lockwood*</u> |                      |
|------------------------------|--|----------------------|
|                              | <u>Lockwood LIS</u>                        | <u>Lockwood LAAP</u> |
| First \$500,000              | 0.75%/0.67%                                | 0.40%/0.37%          |
| Next \$500,000               | 0.55%/0.49%                                | 0.35%/0.33%          |
| Next \$4,000,000             | 0.40%/0.35%                                | 0.30%/0.29%          |
| Next \$5,000,000             | 0.35%/0.31%                                | 0.25%/0.24%          |
| Over \$10,000,000            | 0.30%/0.28%                                | 0.20%/0.19%          |

\*From its “gross fees,” Lockwood pays us an administrative fee ranging from 0.02% - 0.08% in Lockwood LIS and ranging from 0.01% - 0.03% in Lockwood LAAP. The “net fees” reflect the deduction of such administrative fee. The administrative fee paid by Lockwood to us is encompassed by the Wrap Fee and does not increase the overall fees paid by client.

### **Lockwood AFP**

| <u>Household Asset Level</u> | <u>Fees Payable to Lockwood*</u> |
|------------------------------|----------------------------------|
| First \$500,000              | 0.37%                            |
| Next \$500,000               | 0.33%                            |
| Over \$1,000,000             | 0.24%                            |

\* We also receive a Lockwood AFP services fee of 0.03% on the first \$500,000 of assets, 0.02% on the next \$500,000 of assets and 0.01% of assets above \$1,000,000. However, this services fee is encompassed by the Wrap Fee and does not increase the overall fees paid by client.

### *Fee Billing*

The Wrap Fees quoted are an annualized percentage of assets held in client’s Program account. The Wrap Fees will be payable quarterly in advance and will be based on the market value of all assets in your Program account as of the close of business on the last business day of the preceding calendar quarter (the “Valuation Date”). Adjustments to the Wrap Fee are made quarterly (for the previous quarter) for net flows of \$5,000 or more. These adjustments will be prorated based upon the dates of the withdrawal(s) and/or the contribution(s). If management of your account commences on a day other than the first business day of a calendar quarter, Wrap Fee billing will proceed from the date the account is turned over for management under the Program and the Wrap Fee, which will be paid in advance, will be prorated through the end of the quarter.

If you elect to undergo a reassignment of the investments in which your account invests during a billing period (i.e. a change to your selected Program, product, manager or style), the Program Custodian will calculate a prorated rebate of the fees you paid in advance effective the day before your reassignment. Simultaneously, the Program Custodian will calculate a prorated charge effective from the day of your reassignment through the end of the billing period using the market value of your new investment on day of reassignment. Any rebates and prorated charges are calculated and released daily based upon activity.

Under the terms of the Program agreement you sign with us, you will authorize and direct the Program Custodian to automatically deduct the Wrap Fee from the assets in your Program account when due as instructed by us or BBVA Securities Inc. on our behalf. The payment of the Wrap Fee will be reflected on the next account statement sent to you by the Program Custodian. Your responsibility for payment of the periodic Wrap Fee will be satisfied once the Program Custodian deducts the full amount of such periodic Wrap Fee from your Program account.

In our discretion, a portion of the assets of your Program accounts will be held in liquid investments or cash to cover the payment of fees and Fund redemption fees, if any.

If you open your Program account with securities previously purchased through BBVA Securities Inc., through its BBVA Compass Investment Solutions division, or our representative, BBVA Securities Inc. or our representative may already have received commissions on the purchase. Similarly, if you open a Program

account with cash proceeds from the sale of securities through BBVA Securities Inc., through its BBVA Compass Investment Solutions division, or our representative, BBVA Securities Inc. or our representative may have already received commissions on the sales.

If you or we terminate our investment services agreement under the Program, we will refund to you the pro rata amount of any Wrap Fees that you prepaid from the date of termination through the end of the billing period.

#### *Charges and Expenses Not Covered by Wrap Fees*

Certain Securities Transaction Charges and Expenses. The Wrap Fee will not include, and you will separately incur and be responsible for, fees and charges associated with securities transactions that may be imposed by regulatory authorities, ADR agency processing fees, electronic fund and wire transfer fees, SEC and exchange fees and transfer taxes, and any other charges imposed by law. Non-standard services fees incurred as a result of special request from the client, including but not limited to wiring funds or overnight mailing services, will be an expense of the your Program account and may be deducted when incurred.

Certain Brokerage Commissions Are Not Covered. The Wrap Fee will cover the costs of brokerage commissions and other transaction fees executed through the Program Custodian on an agency basis. However, all other brokerage commissions and transaction costs will not be covered by the Wrap Fee and will be paid from the assets of your Program account, including the following:

- brokerage commissions on transactions effected through any broker or dealer other than the Program Custodian;
- dealer mark-ups, mark-downs and “spreads” (whether charged by BBVA Securities Inc., Program Custodian or any other broker-dealer acting as principal); and
- any brokerage commissions or other charges, including any contingent deferred sales charges (“CDSC”), imposed upon the liquidation of “in-kind” assets that are transferred into client’s Program account and which we (in our discretion) determine to liquidate.

As noted above, the Program Fee does not cover transaction charges or other charges, including markups and markdowns, resulting from trades effected through or with a broker-dealer other than the Program Custodian. For this reason, an SMA Manager selected for your SMA Program account may determine that placing your trade orders with the Program Custodian is in your best interest. Your SMA Manager may, however, place your trade orders with a broker-dealer firm other than the Program Custodian if the SMA Manager believes that doing so is consistent with its obligation to obtain best execution. This is frequently referred to as “trading away” or “step out trades.” Step out trades may result in commissions, mark-ups, or mark-downs, but in other instances. These trading costs, which are not covered by the Wrap Fee, will result in additional costs to you. These additional trading costs may not be reflected on trade confirmations you receive or your account statements. You should review the Form ADV Part 2A brochure of the SMA Manager for more information regarding that SMA Manager’s brokerage practices and consider the additional expenses that you may incur.

Mutual Fund, ETF, Index Funds and Similar Commissions and Expenses. Typically, purchases and sales of mutual funds for your Program accounts will be without the payment of a front end load or sales charge or a contingent load or sales charge, including CDSC. Nonetheless, your Program account typically will incur a commission in connection with the purchase or sale of ETFs or Index Funds, but those commissions will be

paid out of the Wrap Fee or by us without additional cost to you. All or a portion of the ETF or Index Fund commission may be paid to the Introducing Broker-Dealer (our affiliate, BBVA Securities Inc.).

In some instances, Funds may impose other fees (described in the applicable prospectus or other Investment Disclosure Document) in connection with the exchange of fund shares or in connection with the redemption of Fund shares prior to the Fund's designated minimum holding period ("short-term redemption fees"). Any such exchange fees or short-term redemption fees will be borne by you and will be paid out of the assets of your Program account. Exchange fees and redemption fees may be incurred in connection with the periodic, routine reallocation and rebalancing of the assets of your Program account.

Also, all Funds (including load mutual funds purchased at NAV, without front-end or contingent loads or sales charges to the client's Program account and money market mutual funds used for investment of cash balances) will have ongoing expenses that will be paid out of Fund assets and will impact the return received by your account. Specifically, Funds will be subject to various fees, charges and expenses of the fund/investment vehicle or their sponsors, managers or distributors, including management fees, distribution expenses, 12b-1 fees, shareholder servicing fees, custody fees, transfer agency fees, administration fees and similar fees and expenses. All such Fund fees, charges and expenses will be incurred by your Program account and will not be paid out of the Wrap Fee. A detailed explanation of these Fund fees and expenses is contained in each Fund's prospectus or other Investment Disclosure Document.

#### *Fund Investments Included in Calculation of Wrap Fees*

Assets of your Program account that are invested in shares of Funds, including money market mutual funds and/or other short-term investment vehicles, will be included in calculating the value of the assets of your Program account for purposes of computing the Wrap Fee. The same assets also will be subject to advisory fees, other charges and operating expenses applicable to such Funds.

In the case of Program accounts that are ERISA Plans, individual retirement accounts ("IRAs"), SEPs and similar tax-qualified accounts (collectively, "Qualified Accounts" or singularly a "Qualified Account"), any Fund Service/Distribution Payments and Revenue-Sharing Payments received by BBVA Securities Inc. in respect of such Qualified Account will be, at our option, credited back to the client's Program account or credited, dollar-for-dollar, against the Wrap Fee payable by the Qualified Account.

If you would like additional information regarding the foregoing compensation arrangements, please contact Ms. Stacy Hasty at 713-552-9277 or by email at [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

#### *Disclosures Regarding Fee Rates*

You should be aware that the fees we charge for your participation in the Program may be higher or lower than those charged by others in the industry. You may be able to obtain the same or similar services from other advisers at lower or higher rates. In addition, you may be able to obtain some or all of the types of services available through us on an unbundled basis through other firms and, depending on the circumstances, the total amount of the separately paid fees may be lower or higher than the annual fees under the Programs. Also note the Wrap Fee will be applicable to securities transferred into your Program account, even if you previously paid a commission or fee when purchasing those securities. Accordingly, you should consider whether it is appropriate to transfer such securities into your Program account.



### *Our Representative's Compensation*

Our representatives who recommend a Program to you will receive compensation as a result of your participation in a Program. See below under “**Additional Information – Client Referrals and Other Compensation**.” This compensation may be more than our representative would receive in the event you did not participate in the Programs and instead obtained other services offered by us or with other advisers. As a result, our representatives have a financial incentive to recommend our wrap fee programs over other programs and services offered by us or others.

### *Changes in Our Fee Schedules*

We may modify the Wrap Fee or other fees applicable to any Program at any time upon written notice to clients who will be impacted by the change.

## **Account Requirements and Types of Clients**

### **Types of Clients**

We provide services to, among others:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Not-for-profit entities
- Retirement plans and other retirement accounts, including employee benefit plans and individual retirement accounts

### **Requirements and Conditions to Establish an Account With Us**

#### *Minimum Investment*

SmartPath Diversified Portfolios, SmartPath Index Funds and ETF Portfolios, SmartPath Managers Portfolios, Morningstar Retirement Income Strategies, Russell Model Strategies and the Lazard U.S. Equity Select Tax Aware Strategy.

The minimum investment amount required to open an account in the SmartPath Diversified Portfolios, SmartPath Index Funds and ETF Portfolios, Morningstar Retirement Income Strategies and the Russell Model Strategies is \$20,000 per portfolio and the minimum investment amount required to open an account in the SmartPath Managers Portfolio and Lazard US Equity Select Tax Aware Strategy is \$50,000. A separate account must be established for each of these portfolios.

The minimum investment amount applies to each of these portfolios separately and clients are not permitted to combine their investments in multiple portfolios (either within the same Program or within different Programs) for purposes of satisfying the minimum investment amount for each account opened. Solely by way of illustration:

- Assume that the client invests in both the Conservative Portfolio and the Muni Fixed Income Portfolio under the SmartPath Diversified Portfolios Program -- The client must have an investment of at least \$20,000 in each of the Conservative Portfolio and the Muni Income Portfolio.
- Assume that the client invests in the Muni Income Portfolio under the SmartPath Diversified Portfolios Program and also invests in one of the Russell Model Strategies Portfolios and one of the Morningstar

Retirement Income Strategies Portfolios under the Model Strategies Program – The client must have an investment of at least \$20,000 in each of the Muni Income Portfolio, the selected Russell Model Strategies Portfolio and the selected Morningstar Retirement Income Strategies Portfolio.

The minimum investment amount will be negotiable in our discretion. The minimum investment and each subsequent contribution must be in a form acceptable to us and Program Custodian.

#### Morningstar Select Stock Basket Dividend Strategy

The minimum amount to open an account investing in the Morningstar Select Stock Basket Dividend Strategy is \$100,000. The minimum investment must be in a form acceptable to us and Program Custodian. A separate account is required for the Morningstar Select Stock Basket Dividend Strategy and balances in other investment portfolios within the Managed Investment Program cannot be included for purposes of satisfying the \$100,000 minimum investment amount.

#### SMA Program

The minimum amount required to open an account in the SMA Program depends on the SMA Strategy selected and will be the higher of \$100,000 and the minimum established by the applicable SMA Manager. Currently, the minimum investment amount imposed by the SMA Managers is \$100,000 except in the case of Small/Mid Cap Equity SMA Strategy (in which case a minimum investment of \$250,000 is required) and the Municipal Fixed Income SMA Strategy (in which case a minimum investment of \$200,000 is required). The minimum investment must be in a form acceptable to us and the Program Custodian and a separate account is required for each SMA Strategy in which clients invest. Balances maintained in other accounts in the SMA Program or the Managed Investment Program cannot be included for purposes of satisfying the minimum investment amounts required for each SMA Strategy.

#### SmartPath UMA Program

The minimum amount required to open an account in the SmartPath UMA Program is \$250,000. The minimum investment amount must be in a form acceptable to us and the Program Custodian. A separate account is required for each SmartPath UMA Program and balances in other investment program within the Managed Investment Program, including other SmartPath UMA Program accounts, cannot be included for purposes of satisfying the \$250,000 minimum investment amount.

#### Lockwood Advisory Products

The minimum amount to open either a Lockwood LAAP account or a Lockwood AFP account is \$50,000 and the minimum for subsequent contributions is \$1,000. The minimum investment and each subsequent contribution must be in a form acceptable to the Program Custodian. The minimum amount to open a Lockwood LIS account is \$250,000 and the minimum for subsequent contributions is \$2,500. A separate account is required for each of the Lockwood Advisory Products and balances cannot be combined with other Lockwood Advisory Product accounts or with other Program accounts for purposes of satisfying the minimum investment requirement. Lockwood reserves the right to waive the minimum initial investment requirement. Your account may be terminated if it fails to meet the account minimum during the life of the account.

### *Required Account Documentation*

In order to participate in a Program, you must establish one or more accounts (as applicable) as follows:

SmartPath Diversified Portfolios, SmartPath Index Funds and ETF Portfolios, SmartPath Managers Portfolios and Model Strategies Portfolios -- If the client's assets are invested in a single Portfolio, the client will open a single Program account. Clients with assets invested in more than one Portfolio must establish separate Program accounts for each Portfolio.

Lockwood Advisory Products – A separate account must be established for each Lockwood Advisory Product in which the client participates.

SMA Program – A separate account must be established for each SMA Strategy in which the client participates.

SmartPath UMA Program – A separate account must be established for each strategy selected for investment by the client in the SmartPath UMA Program

Under all Programs, you must complete an Investor Questionnaire and sign an agreement with us. In order to participate in the Lockwood Advisory Products Program, you must sign an Investment Services Agreement appointing us as the client investment adviser in connection with the applicable Lockwood Advisory Product. In the case of other Programs, the client must sign an Investment Management Agreement granting us discretionary authority consistent with our role in connection with the Programs in which the client will participate.

You will also need to complete and execute the typical account opening documents required by the Introducing Broker-Dealer and execute any documentation required by the Program Custodian verifying the limited trading authority granted to us and, in the case of the Lockwood Advisory Products, Lockwood in connection with your Program accounts. The Investment Management Agreement or Investment Services Agreement (as applicable), Investor Questionnaire and other documents required to be executed, completed or delivered by the client in connection with the Programs are referred to below as the "Program Documentation."

### **Portfolio Manager Selection and Evaluation**

Our advice to clients participating in the wrap fee Programs focuses on the potential for long-term and/or short-term growth and/or income associated with a variety of securities including equity securities.

In the case of the SmartPath Diversified Portfolios, our SmartPath Portfolios Team will have responsibility for day-to-day oversight and securities selection. In the case of the SmartPath Core Portfolio, overall strategy, target allocations and recommended securities buy and sale transactions will be recommended to us by an unaffiliated investment advisory firm, SJIM, and will be reviewed on a periodic basis by our Managers Portfolios Team.

The overall investment policies of the Programs and the activities of the SmartPath Portfolios Team and the Managers Portfolios Team will be overseen and supervised by our Investment Policy Committee (the "IPC").

### *SmartPath Diversified Portfolios*

We are solely responsible for the selection of the Funds for the SmartPath Diversified Portfolios and for the asset allocation among Funds and asset classifications within each of the model portfolios/investment objectives. However, neither we nor any of our affiliates are responsible for managing each of the Funds comprising the SmartPath Diversified Portfolios.

The SmartPath Portfolios Team uses a four-step process in constructing and maintaining the SmartPath Diversified Portfolios consisting of (a) strategic asset allocation, (b) tactical model selections, (c) Fund selection and implementation, and (d) ongoing monitoring and reallocation within the SmartPath Diversified Portfolios.

**Strategic Asset Allocation.** The SmartPath Portfolios Team uses a variety of internal and external information sources to form a strategic view on economic, financial, and political conditions that could affect the domestic and global investment landscape. Factors taken into account include growth prospects, business cycle analysis, real estate analysis and inflation analysis.

**Tactical Model Selections.** The SmartPath Portfolios Team creates objective-based portfolios with unique asset allocation characteristics and volatility parameters unique to the SmartPath Diversified Portfolio's benchmark index or indices. Because portfolio risk is driven by the correlation of the underlying assets of the portfolio, risk management is executed mainly at the portfolio level. Volatility is managed within the SmartPath Diversified Portfolios through diversification. Factors that are taken into account in assessing the equity markets include economic influences, industry influences and relative valuations, while factors taken into account in accessing the fixed income markets include interest rates, credit spreads, cash flows and relative valuations.

**Fund Selections.** The SmartPath Portfolios Team selects Funds based on its assessment of the combination of Funds that will most effectively and efficiently held achieve the objective of the SmartPath Diversified Portfolios. The selection of Funds employs a research methodology consisting of analysis of statistical data related to the risk/return tradeoff, taking into the Fund's behavior through various market cycles. The process is complemented by a review of the Fund company, Fund managers/management teams and their philosophies.

**Monitoring and Reallocation.** The SmartPath Portfolios Team monitors the behavior of the Funds comprising the SmartPath Diversified Portfolios and considers implementation of changes in the Funds or the allocation among Funds as needed in order to restore the SmartPath Diversified Portfolios to their long-term strategic asset allocation and desired risk parameters.

Sources used by the SmartPath Portfolios Team include but are not limited to concepts from Modern Portfolio Theory, historical investment performance information calculated by the Funds or provided by other independent sources, Fund prospectuses (or other Investment Disclosure Document) and periodic reports filed with the SEC, third-party research materials, and general asset allocation risk/reward information.

### *SmartPath Index Funds and ETF Portfolios*

We are solely responsible for the selection of the Index Funds and ETFs for the SmartPath Index Funds and ETF Portfolios, for the asset allocation among Index Funds and ETFs and asset classifications within each SmartPath Index Funds and ETF Portfolio. However, neither we nor any of our affiliates are responsible for establishing, structuring or managing each of the Index Funds and ETFs comprising the Portfolios.

The SmartPath Portfolios Team uses a four-step process in constructing and maintaining the SmartPath Index Funds and ETF Portfolios consisting of (a) strategic asset allocation, (b) tactical model selections, (c) Index

Fund and ETF selection and implementation and (d) ongoing monitoring and reallocation within the SmartPath Index Funds and ETF Portfolios.

Strategic Asset Allocation: The SmartPath Portfolios Team uses a variety of internal and external information sources to form a strategic view on economic, financial, and political conditions that could affect the domestic and global investment landscape. Factors taken into account include growth prospects, business cycle analysis, real estate analysis and inflation analysis.

Tactical Model Selections: The SmartPath Portfolios Team creates objective-based portfolios with unique asset allocation characteristics and volatility parameters unique to the SmartPath Index Funds and ETF Portfolios' benchmark indices. Because portfolio risk is driven by the correlation of the underlying assets of the portfolio, risk management is executed mainly at the portfolio level. Volatility is managed within the SmartPath Index Funds and ETF Portfolios through diversification. Factors that are taken into account in assessing the equity markets include economic influences, industry influences and relative valuations while factors taken into account in assessing the fixed income markets include interest rates, credit spreads, cash flows and relative valuations.

Index Fund and ETF Selection: The SmartPath Team selects Index Funds and ETFs based on its assessment of the combination of these that will most effectively and efficiently help achieve the objective of the Portfolios. The selection of the Index Funds and ETFs employs a research methodology consisting of analysis of statistical data related to risk/return tradeoffs, taking into account the behavior through various market cycles. The process is complemented by a review of the Index Fund or ETF provider company and any screens used for more sophisticated Index Funds or ETFs, commonly referred to as Smart Index Funds or Smart ETFs.

Monitoring and Reallocation: The SmartPath Portfolios Team monitors the behavior of the Portfolios and considers implementation of changes in the selected Index Funds and/or ETFs and/or the allocation among these as needed in order to restore the Portfolios back to their long-term strategic asset-allocation and desired risk parameters.

### *SMA Program*

For our SMA Program, we are responsible for determining which SMA Managers are available for selection by the client for each SMA Strategy but the client is responsible for the ultimate selection of the applicable SMA Strategy and for approving the SMA Manager that will be used to pursue that SMA Strategy. In evaluating SMA Managers, we consider both quantitative and qualitative factors. Quantitative factors are reviewed on a quarterly basis and include, among others, performance attribution data, risk data and review of purchases and sales. Qualitative factors include the knowledge and strength of the SMA Manager's investment team, competitive advantages, transparency, consistency and thoroughness of the SMA Manager's process and assessment of the SMA Manager's process for managing and controlling risk. Qualitative factors are determined through regular conference calls and on-site visits with the SMA Manager's investment team.

In the event that a particular SMA Manager no longer meets the standards set by our evaluations, we reserve the right to discontinue the availability of the SMA Manager under the SMA Program.

### *SmartPath UMA Program*

For the SmartPath UMA Program, we are responsible for selecting the UMA Model Strategists. The UMA Model Strategists will recommend to us securities for purchase or sale and the allocation of such securities in the client's account. Our IPC will oversee and, on a periodic basis, review and assess the UMA Model Strategies and the securities and allocations recommended by the UMA Model Strategists. We are granted full trading authority over the client's SmartPath UMA Program account consistent with the client's investment objective, including the authority, without the client's approval from or prior notice to the client, to make purchases and sales within the client's account and to determine the combination of investment strategies and vehicles that will comprise the UMA Model Strategy. Nonetheless, ordinarily we will exercise our investment discretion solely to buy and sell assets within the account to correspond to changes in the UMA Model Strategy based on the recommendations from the UMA Model Strategist. . In some cases, however, the holdings and allocations in the client's account will not exactly match the holdings and allocations recommended by the UMA Model Strategists and we may, in our discretion, use a security, mutual fund, ETF or other investment vehicle other than that recommended by the UMA Model Strategist which we determine to be comparable.

Notwithstanding the foregoing, in the event, with our approval, a portion of a SmartPath UMA Program account is invested with an SMA Manager, the SMA Manager, and not us or the UMA Model Strategist, will be responsible for securities selection and trading decisions with respect to the assets assigned to the SMA Manager and we will not exercise investment or trading discretion over such assets.

#### *SmartPath Managers Portfolios*

SmartPath Core Portfolio -- Overall strategy, target allocations and recommended securities buy and sale transactions will be recommended to us by SJIM, an unaffiliated investment advisory firm. Our IPC will oversee, and periodically review and assess, the overall strategy and target allocations recommended by SJIM for the SmartPath Core Portfolio. Ordinarily we will exercise our discretion solely to buy and sell assets within your account to correspond to changes in the selected SmartPath Core Portfolio based on the recommendations provided to us by SJIM. In some cases, however, the actual holdings and allocations in the client's account will not match precisely the holdings and allocations recommended by SJIM, including that we may, in our discretion, determine to utilize a security, mutual fund, ETF or other investment vehicle other than that recommended by SJIM but which we determine is comparable.

SJIM's Form ADV Part 2A indicates as follows:

- SJIM utilizes a number of information sources about the economy, markets and businesses to facilitate the management process, including research from independent sources, research available from brokerage and investment banking firm and various periodicals and subscription services.
- SJIM uses a Four Factor Model for equity valuation, considering both fundamental and technical research analytics to arrive at a given score for each security evaluated. The Four Factor Model gives a 65% weight to fundamental factors and a 35% weight to technical factors. When new names are being considered for the model, each potential new entrant is scored against the score of other possible new entrants. Overall, SJIM's aim is to position its "Core Model" with an above-average earnings, sales, return on equity, and forward earnings growth relative to the S&P 500®, but also with a PEG Ratio (price-to-earnings divided by expected future growth rate) below the benchmark.

**Note: As of October 20, 2014, the SmartPath Core Portfolio is no longer offered to new investors.**

#### *Model Strategies Program*

Overall strategy, target allocations and recommended securities buy and sale transactions will be recommended to us by the Third-Party Model Strategist. Our IPC will oversee, and periodically review and

assess, the overall strategy and target allocations recommended by the Third-Party Model Strategist for the applicable Third-Party Model Strategy. Ordinarily we will exercise our discretion solely to buy and sell assets within your account to correspond to changes in the selected Third-Party Model Strategy based on the recommendations provided to us by the Third-Party Model Strategist. In some cases, however, the actual holdings and allocations of in the client's account will not match precisely the holdings and allocations recommended by the Third-Party Model Strategist, including that we may, in our discretion, determine to utilize a security, mutual fund, ETF or other investment vehicle other than that recommended by the Third-Party Model Strategist but which we determine is comparable.

#### Morningstar Retirement Income Strategies

Morningstar will provide us with selected model portfolios developed and maintained by Morningstar. A range of four model portfolios developed and maintained by Morningstar are available, with the respective model portfolios being designed by Morningstar to address different distribution needs and risk tolerances during retirement. The model portfolios are composed of mutual funds selected by Morningstar. See above under “**Services, Fees and Compensation – Our Advisory Services**—*Model Strategies Program – Morningstar Retirement Income Strategies.*”

#### Morningstar Select Stock Basket Dividend Strategy

Morningstar will provide us with the model developed and maintained by Morningstar, which is designed to invest in equities displaying dividend growth and capital appreciation. The model is composed primarily of equities and, as applicable, other investments selected by Morningstar. See above under “**Services, Fees and Compensation – Our Advisory Services**—*Model Strategies Program – Morningstar Select Stock Baskets.*”

#### Russell Model Strategies

Russell will provide us with strategic asset allocation models developed by Russell. The models vary in their exposure to different asset classes (such as equities, fixed income, real assets and alternative investments), as well as different styles (such as growth, core, and value), paired together to achieve diversification that seeks to meet a variety of investment objectives. The models are composed of mutual funds managed by Russell. See above under “**Services, Fees and Compensation – Our Advisory Services**—*Model Strategies Program – Russell Model Strategies.*”

#### Lazard U.S. Equity Select Tax Aware Strategy

Lazard will provide us with its strategic model developed by them. This model provides exposure to various equity sectors and is composed of individual equity securities selected by Lazard. See above under “**Services, Fees and Compensation – Our Advisory Services** – *Model Strategies Program – Lazard U.S. Equity Select Tax Aware Strategy.*”

#### *Lockwood Advisory Products*

If you maintain a Program account under the Lockwood Advisory Products Program, you will receive a copy of Lockwood's Form ADV Part 2A Firm Brochure (the “Lockwood Firm Brochure”). Please review the Lockwood Firm Brochure for a description of the methods of analysis employed by Lockwood in developing investment strategies and in selecting and evaluating portfolio managers.

## **Client Information Provided to Portfolio Managers**

We and/or the Program Custodian will obtain from you information concerning your name, address, financial situation, investment experience, tax status, tax reporting information, and other personal non-public information that we need in order to be able to service your Program accounts. We will share information you provide to us with the Program Custodian and other service providers as necessary in connection with the performance of services for your Program accounts.

Under the SmartPath Diversified Portfolios, SmartPath Index Funds and ETF Portfolios, Model Strategies, SmartPath UMA and SmartPath Managers Portfolios Programs, we do not utilize the services of outside portfolio managers and, therefore, we will not be providing information regarding our clients to portfolio managers under those Programs. We will, however, share certain information regarding our clients' accounts under the SmartPath Diversified Portfolios, Model Strategies, SmartPath UMA Program and SmartPath Managers Portfolios to SJIM, UMA Model Strategists and Third-Party Model Strategies, as applicable. In some cases, we invest our client's assets into Funds, but we do not provide any information concerning our clients to the managers of such Funds.

In the SMA Program, we will provide personal, financial and other non-public information related to your account to each SMA Manager as they maintain discretion over the management of your assets.

Lockwood serves as the client's portfolio manager in connection with the Lockwood Advisory Products. We will provide your personal, financial and other non-public information to Lockwood, and Lockwood will in turn provide such information to sub-advisers and other money managers and to other service providers as necessary in connection with the performance of services for your Lockwood Advisory Products Program accounts.

## **Client Contact with Portfolio Managers**

In connection with our investment management services, our clients have access to our Financial Advisors and other representatives at any time on reasonable notice.

Under the SmartPath Diversified Portfolios, Model Strategies, SmartPath Index Funds and ETF Portfolios, SmartPath UMA and SmartPath Managers Portfolios Programs, we do not utilize the services of outside portfolio managers and, therefore, clients will not have contact with outside portfolio managers under those Programs.

Although SMA Managers in the SMA Program maintain discretion over the client's assets and are responsible for management of the account, our Financial Advisors or other of our representatives should serve as the client's primary point of contact regarding the client's assets in the SMA Program as we are better positioned to review each client's total investments with us. However, we do not restrict client from communicating directly with each SMA Manager.

Lockwood serves as the client's portfolio manager in connection with the Lockwood Advisory Products. Under the terms of our agreements with Lockwood and the Investment Services Agreement between us and the client, our Financial Advisor serves as the client's principal point of contact regarding the Lockwood Advisory Products. Our Financial Advisor and other of our personnel knowledgeable regarding the management of your account will be reasonably available to you for consultation regarding the Lockwood Advisory Products. We do not restrict clients from contacting Lockwood to discuss their accounts, however.



In some cases, we invest our client's assets into Funds, but our clients generally will not have direct contact with the managers of such Funds. However, we do not restrict such access.

## **Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose in their disclosure brochures all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the advisory firm or the integrity of its management. We have no such material events to disclose.

### **Other Financial Industry Activities and Affiliations**

BBVA Securities Inc. is registered with the Securities and Exchange Commission as a broker-dealer and is a member of FINRA. BBVA Securities Inc., through its BBVA Compass Investment Solutions division, acts as introducing broker for, and maintains clearing arrangements with, Pershing LLC, a BNY Securities Group company, which is not affiliated with us, whereby Pershing clears securities transactions on a fully disclosed basis. As described above, BBVA Securities Inc. will serve as introducing broker, and Pershing will serve as clearing broker and custodian for the Program accounts. We have entered into a service agreement with BBVA Securities Inc. to address various operational issues and relative responsibilities in connection with the Programs. Under the service agreement, we and BBVA Securities Inc., respectively, agree to indemnify the other party for certain losses, liabilities, claims and expenses. The service agreement may be terminated by either BBVA Securities Inc. or us at any time upon notice to the other.

In addition, we have entered into an agreement with Lockwood and Pershing under which they agree to provide us with a broad range of administrative, technology, securities trading and execution services and support services in connection with the Programs and to act as the portfolio manager for clients under the Lockwood Advisory Products Program.

From time to time, we will enter into contractual arrangements with one or more of our affiliates under which the affiliate will act as a model provider for certain of our Programs. The following affiliate model provider arrangements currently are applicable:

- Our parent company, Compass Bank, acts as the UMA Model Strategist for the UMA Model Strategies available under the SmartPath UMA Program. Under contractual arrangements with us, Compass Bank is responsible for establishing the asset selection and asset allocations for the UMA Model Strategies and provides us with recommendations for purchases and sales for the UMA Model Strategies made available to our clients. Our IPC will, periodically, oversee, review and assess the overall strategy, asset selection and allocations recommended by Compass Bank and the performance of the UMA Model Strategies. Currently, the compensation payable to Compass Bank for its services as UMA Model Strategist for the UMA Model Strategies is an annual fee of 0.15% of the total assets invested by our clients in the UMA Model Strategies.

As described above, SJIM maintains the "Core Model" and serves as model provider to us in connection with the SmartPath Core Portfolio. In that capacity, SJIM will establish the overall strategy and asset allocation for the Core Model and will provide us with recommended changes to the strategy and buy and sell recommendations for the SmartPath Core Portfolio. In order to evidence this arrangement, we will enter into an agreement with SJIM, and SJIM will receive compensation from us for its services as a model provider under the SmartPath

Managers Portfolios Program. SJIM is not affiliated with us, but the principals of SJIM were, prior to March 1, 2014, employed by us. **After October 20, 2014, the SmartPath Core Portfolio ceased to be available to new investors.**

Based upon the similarity of investments among client accounts having similar investment objectives and the fact that we may purchase securities for more than one account simultaneously, and the possible appearance of similarity in the treatment of clients, the accounts of all Program clients are handled under the following basic conditions designed to prevent pooling of assets and or the management of accounts on a de facto pooled basis resulting in the existence of an investment company. Each client's securities are held in nominee name only for ministerial purposes and each client's account is maintained as a separate account. The client's beneficial interest in a security does not represent an undivided interest in all the securities held by a clearing broker, but rather represents a direct and beneficial interest in the securities in the account.

Further, each client retains any and all rights afforded under the federal securities laws to proceed directly against the issuer of any underlying security in the client's Program account. Further, each client under a Program may withdraw, hypothecate, vote, or pledge securities in the client's account upon written notice to us, and each client has the authority to impose reasonable restrictions on the management of the client's Program account. We have the right to reject any restrictions that we determine are unreasonable, including any restrictions that are inconsistent with the requirements and purposes of the applicable Program or the particular investment strategy or investment vehicles available under the applicable Program.

### **Code of Ethics**

As required by law, we have adopted a Code of Ethics establishing policies and procedures to handle potential conflicts of interest that may arise from providing advisory services to you.

Our Code of Ethics recognizes that we are a fiduciary and is designed so that we meet our fiduciary obligation to you by setting forth standards of conduct for our directors, officers and employees and requiring compliance with federal securities laws.

Our Code of Ethics is based upon the principle that our employees owe a duty to you to conduct their affairs, including their personal securities transactions, in such a manner as to avoid 1) serving their own personal interests ahead of your interests, 2) taking inappropriate advantage of their position as an employee, and 3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Our Code of Ethics:

- Requires that we maintain the confidentiality of your information;
- Prohibits:
  - Insider trading (if we are in possession of material, non-public information);
  - Rumor mongering;
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Requires the reporting of gifts and business entertainment by certain of our employees;
- Requires that certain employees pre-clear their personal securities transactions;
- Requires that certain of our employees report (on an on-going and quarterly basis) all of their personal securities transactions (what we call "reportable securities" as mandated by regulation); and
- Requires that all of our officers, directors and employees re-certify to our Code of Ethics, identify members of their household and any account to which they have a beneficial ownership (that is, they

“own” the account or have “authority” over the account), and identify securities held in certificate form and all securities.

Also, our Code of Ethics also provides that no director, officer or employee may trade securities, either personally or on behalf of others, while in possession of material, non-public information with respect to any such securities, or may communicate material, non-public information to others, other than as required and allowed by the Code of Ethics.

Our management may impose a number of sanctions which it feels is most appropriate for violations of the Code of Ethics.

To receive a copy of our Code of Ethics, you should contact your account representative or call us at 713-552-9277.

### **Participation or Interest in Client Transactions**

Our Financial Advisor will also be a registered representative of our affiliate, BBVA Securities Inc., a registered broker-dealer, and may be a licensed insurance representative of our affiliate, BCIA, a licensed insurance agency. In some cases, the Financial Advisor, in his or her capacity as a registered representative of BBVA Securities Inc., may recommend to the client mutual funds, variable annuities or other securities products other than those available through the Programs. In addition, in some cases, the Financial Advisor, in his or her capacity as a licensed insurance agent of BCIA, may recommend to the client fixed annuities or other insurance products. The Financial Advisor will receive compensation in connection with such recommendations.

At times, our interest or the interest of our related persons may not coincide with the interest of a client's account; however, at no time will we or any related person receive an added benefit or advantage over the clients with respect to these transactions. We will maintain a record of personal securities transactions. We have adopted policies and procedures reasonably designed to detect and deter insider trading. In addition, we have adopted a “Code of Ethics,” which is available to clients or prospective clients upon request. See below under **“Additional Information - Code of Ethics.”**

We are a wholly owned, direct subsidiary of Compass Bank, the lead bank subsidiary of BBVA Compass Bancshares, Inc., a Texas bank holding company. We also are an indirect subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”), a bank organized under the laws of Spain qualified to engage in business in the United States as a bank holding company and foreign banking organization. BBVA, Compass Bank and their affiliates may have a variety of banking, financial or service relationships with corporations or other business enterprises the securities of which may be purchased or sold by us for its clients' accounts. BBVA, Compass Bank or their affiliates may receive compensation from such corporations or other business enterprises in the ordinary course of their business. Because of internal controls maintained by BBVA, Compass Bank and us in order to minimize any potential conflict of interest created by these relationships, recommendations to our advisory clients typically will be made without knowledge of other banking, financial or services relationships between BBVA, Compass Bank or their affiliates and the issuers of securities recommended by us.

Our parent company, Compass Bank, through its Global Wealth division, may purchase or sell for trust, fiduciary, and investment management clients or recommend that such accounts purchase or sell securities of the same type as those purchased or sold by us for our clients' accounts.

While we do not act as a principal in the purchase or sale of any securities, our affiliate, BBVA Securities Inc., is a registered broker-dealer that also engages in a wide range of investment banking activities, including underwriting, placement and distribution of corporate and municipal securities. It is possible that we may recommend or purchase a corporate security or municipal security underwritten, placed or distributed by BBVA Securities Inc.

We, BBVA, Compass Bank and their affiliates (including BBVA Securities Inc.) maintain policies and procedures for ensuring that any material, non-public information regarding publicly traded securities that we or our employees may obtain, including by virtue of banking and other relationships any such issuer may have with us, BBVA, Compass Bank or their affiliates (including BBVA Securities Inc.) is not misused in violation of applicable law.

Assets of client accounts that are invested in Funds are subject to advisory and other fees and expenses, as set forth in the applicable Fund prospectus or other Investment Disclosure Document, and although such fees and expenses typically are paid out of the fund's assets, they reduce the overall return realized by the investor. Furthermore, assets of a client's account invested in shares of funds, including money market mutual funds, or other short-term investment vehicles, will be included in calculating the value of the account for purposes of computing our investment management services fees.

We, our representatives and our affiliates may receive fees and other compensation in addition to the fees we charge to your account for investment management services. Our investment advisory services fees are not reduced by the amount of the additional fees and other compensation received by us, our representatives or our affiliates. This presents a conflict of interest and gives us or our representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

- If BBVA Securities Inc., through its BBVA Compass Investment Solutions division, acted as introducing broker in setting up your account with Pershing, BBVA Securities Inc. will be paid a portion of the fees, commissions and other charges imposed by Pershing.
- If you open your Program account with securities previously purchased through an introducing broker (including BBVA Securities Inc.), or one of our representatives, you may already have paid a commission on the purchase to the introducing broker or to our representative, or both. Similarly, if you open your Program account with cash proceeds from the sale of securities through an introducing broker (including BBVA Securities Inc.) or our representative, the introducing broker or our representative, or both, may have already received commissions of the sale.
- If BBVA Securities Inc., through its BBVA Compass Investment Solutions division, acts as introducing broker in connection with establishing your custody account with Pershing, BBVA Securities Inc. will receive commissions if we determine to purchase or sell ETFs for your account.

Clients participating in our Programs have the option to obtain the investment products we recommend through brokers or other agents that are not affiliated with us.

Our parent company, Compass Bank, provides trust and fiduciary services, including investment management and advisory services, through its trust department, a separately identifiable division of Compass Bank that functions within the Global Wealth division. If we determine that a potential client is not interested in or would not be best served by participation in our investment programs and believe that the potential client may be interested in or would be best served through investment services provided by Compass Bank's trust department (the "Compass Trust Department"), we may refer the potential client to a representative of the Compass Trust Department. In the event that a potential client establishes an investment relationship with the

Compass Trust Department, the referring Financial Advisor typically will receive referral compensation from Compass Bank. The Firm's affiliation with Compass Bank, and the potential referral compensation which our Financial Advisor receives, represents a conflict of interest in that such factors provide incentives for our Financial Advisors to refer potential clients to the Compass Trust Department in lieu of unaffiliated service providers. However, the Compass Trust Department, and not the referring Financial Advisor or the firm, is solely responsible for determining whether the potential client satisfies the Compass Trust Department's eligibility criteria and whether to accept the account.

### **Personal Trading**

Certain of our directors, officers and employees are considered "Access Persons" under our Code of Ethics. Access Persons must pre-clear all personal securities transactions except 1) transactions effected pursuant to an automatic investment plan, 2) securities transactions for accounts over which the Access Person has no direct or indirect influence or control, and 3) trades in U.S. Government Securities, U.S. Agency Securities, mutual funds and money market funds.

The following persons are considered "Access Persons":

- All of our directors and certain officers, and
- Other employees and other advisory personnel who:
  - ◆ Have access to nonpublic information regarding any clients' purchases and sales of securities, or
  - ◆ Are involved in making securities recommendations to clients, or who have access to such recommendations that are nonpublic.

Generally, our Financial Advisors who act as the client liaison for clients participating in a Program do not have access to nonpublic information regarding client purchases and sales of securities, make recommendations concerning the securities that are purchased or sold for the client's Program account, or have access to nonpublic information concerning such recommendations. As a result, our Financial Advisors generally will not be Access Persons and, therefore, are not required to pre-clear their personal securities transactions.

Our Chief Compliance Officer, Lauren Jordan, serves as preclearance officer. Ms. Jordan is not an Access Person and, therefore, her personal trades are not subject to preclearance. If the Chief Compliance Officer is unavailable for more than 48 hours, a member of the Compass Bank Investment Compliance Team designated by the Chief Compliance Officer may act as preclearance officer in the Chief Compliance Officer's absence.

### **Review of Accounts**

#### *Frequency of Reviews*

We will review all information relating to the performance of our clients' Program accounts on an as needed basis and will determine compliance with the clients' written investment policy and attributes of Program performance. To ensure the account's investments are in keeping with the client's investment objectives, we will contact the client at least annually to determine whether the client's financial situation and investment objectives have changed and to give the client the opportunity to impose reasonable restrictions on the management of the client's Program account.

#### *Account Valuation Methods*

The value of securities owned by the client will be determined by the Program Custodian in accordance with the Program Custodian's typical procedures. There is no guarantee that any valuations provided by the Program Custodian, or obtained by the Program Custodian from other sources, will be accurate. We and the Introducing Broker are not responsible for the valuation of assets of the client's Program account or for any errors by the Program Custodian in the calculation of the values of the assets of the client's Program account, for any inaccuracy in any values obtained by the Program Custodian from other sources, or for the unavailability of values for some assets.

#### *Client Reports*

The Program Custodian will provide to you periodic statements showing all transactions occurring in your Program account during the period covered by the account statement, any fees paid by the account during the period and a list identifying all assets in the account at the end of the period. Periodic statements will be provided by the Program Custodian on a quarterly basis, and also for any month in which transactions occur in the client's Program account. In the Program Documentation, you will authorize and direct the Program Custodian to provide us copies of all periodic statements and other reports that the Program Custodian sends to the client. In the Program Documentation, the client is given the option to waive the receipt of contemporaneous written trade confirmations related to transactions within the client's Program account and agree that the periodic statements provided by Program Custodian will be in lieu of individual trade confirmations.

In addition to the periodic statements provided by the Program Custodian, we will provide each client participating in a Program with quarterly written statements of the assets in the client's Program account, each security owned (together with its current market value), and performance data for the period covered by the statement. You should promptly and carefully review the statements you receive from the Program Custodian and the statements you receive from us and, in addition, you should compare the statements received from the Program Custodian with the statements received from us and promptly notify us or the Program Custodian if you notice any discrepancies.

The client will be given the opportunity to authorize the Program Custodian to deliver periodic statements and other communications relating to client's Program account by electronic means, in which case the client will not receive paper copies of any periodic statements or other communications that are provided electronically. The client will have the right to withdraw the client's consent to electronic delivery at any time.

Year-end summaries of dividends and interest received (IRS 1099-DIV and 1099-INT) are mailed to all taxable account clients by the Program Custodian.

### **Client Referrals and Other Compensation**

#### *Referral Arrangements*

##### *Inter-affiliate Referral Programs*

Our registered investment adviser representatives may participate in a referral network among our affiliates, including BCIA, BBVA, BBVA Securities Inc. and Compass Bank. Under this referral network, our registered investment adviser representatives may receive referral compensation from our parent, Compass Bank, or other of our affiliates in the form of direct payment to the representative or indirect payment, such as the contribution toward fulfillment of the representative's business development goals. The referral compensation paid to our registered investment adviser representatives may vary dependent upon the product or service

involved. See above under “**Additional Information – Participation or Interest in Client Transactions**” and below under “**Additional Information – Conflicts of Interest – Referrals to Affiliated Bank Trust Department.**”

Under no circumstances will the compensation paid for providing referrals result in any additional fees or charges to the client being referred.

#### *Compensation of Our Investment Adviser Representatives*

Our investment adviser representatives, including persons who are also registered representatives of BBVA Securities Inc. and employees of Compass Bank, will receive compensation in connection with the opening and maintenance of Program accounts, including all or a portion of the Wrap Fee received by us. In addition, it should be noted that:

- Our investment adviser representatives may also be registered representatives of BBVA Securities Inc. and/or employees of Compass Bank and may receive referral or other compensation in connection with services provided to the our clients by BBVA Securities Inc., Compass Bank or other affiliates.
- Our investment adviser representatives may recommend to their clients the services of BBVA Securities Inc., an affiliated broker-dealer. BBVA Securities Inc., through its BBVA Compass Investment Solutions division, provides securities brokerage services on a retail basis and BBVA Securities Inc. and our investment adviser representatives, in their capacity as registered representatives of BBVA Securities Inc., will receive compensation in connection with securities transactions on behalf of our clients.

#### **Financial Information**

We do not serve as a custodian of client funds or securities, and do not require or solicit prepayment of fees six months or more in advance. Accordingly, a balance sheet is not required to be provided with this Disclosure Brochure.

We do not have any financial impairment that will preclude us from meeting our contractual commitments to clients.

We have not been the subject of any bankruptcy petition at any time, including any time during the past ten years.

#### **Custody and Brokerage**

##### *Program Custodian and Clearing Broker*

Pursuant to the Program Documentation, clients participating in a Program will appoint BBVA Securities Inc. as introducing broker for purposes of the applicable Program and the Program Custodian as the custodian for the client's Program assets and as the clearing broker for transactions within the client's Program account. Custody of client's Program account assets will be maintained with the Program Custodian and in no event will we or BBVA Securities Inc. have custody of any assets of the account. The client will authorize BBVA Securities Inc., us and any discretionary portfolio manager (e.g., Lockwood, an SMA Manager) to give the Program Custodian instructions for the purchase, sale, conversion, exchange or retention of any asset in the client's Program account, but solely in connection with the conduct by us of trading in securities in accordance with the provisions of the client's investment management or investment services agreement with us.

The client's Program account will be carried by Program Custodian. Under our services agreements with Pershing and Lockwood relating to the Programs, Pershing and Lockwood will provide us with various trading and order management support services, including relating to trade order-entry, trade allocation and block trading.

#### *Trading and Execution of Securities Transactions*

SmartPath Diversified Portfolios Program, SmartPath Index Funds and ETF Portfolios, SmartPath Managers Portfolios Program, Model Strategies Program, SmartPath UMA Program. As a participant in the SmartPath Diversified Portfolios, SmartPath Index Funds and ETF Portfolios, SmartPath Managers Portfolios, Model Strategies and SmartPath UMA Program Programs, the client directs that all securities purchase and sale orders for client's accounts be directed by us or any other discretionary manager, as applicable, to the Program Custodian, which shall execute and perform the clearance of same. By directing the use of the Program Custodian, we and such discretionary manager may not be in a position to select broker-dealers on the basis of best execution, or commingle or "batch" orders for purposes of execution with orders for the same securities for other accounts managed by us, Lockwood or any other discretionary manager, as applicable (other than for other accounts also cleared through Program Custodian). By directing the use of Program Custodian to execute transactions for client's account, certain transactions may result in less favorable net prices on the purchase and sale of securities than might be the case if we or any other discretionary manager, as applicable, were to select broker-dealers on the basis of best execution. Notwithstanding the foregoing, we or any other discretionary manager, as applicable, reserve the right to direct trades to a marketplace or broker-dealer other than the Program Custodian if it becomes apparent that Program Custodian is unable to obtain best execution. The Wrap Fee does not cover brokerage commissions and other costs associated with trades not executed through the Program Custodian, and such commissions and costs will be borne by the client's Program account.

SMA Program. In the case of SMA Strategies available to our clients, each SMA Manager directs all trading in the client's account and clients should consult each SMA Manager's Form ADV, Part 2A brochure for information regarding the SMA Manager's brokerage and trading policies and practices. As noted above, the Program Fee does not cover transaction charges or other charges, including markups and markdowns, resulting from trades effected through or with a broker-dealer other than the Program Custodian. For this reason, an SMA Manager selected for your SMA Program account may determine that placing your trade orders with the Program Custodian is in your best interest. Your SMA Manager may, however, place your trade orders with a broker-dealer firm other than the Program Custodian if the SMA Manager believes that doing so is consistent with its obligation to obtain best execution. This is frequently referred to as "trading away" or "step out trades." Step out trades may result in commissions, mark-ups, or mark-downs, but in other instances. These trading costs, which are not covered by the Wrap Fee, will result in additional costs to you. These additional trading costs may not be reflected on trade confirmations you receive or your account statements. You should review the Form ADV Part 2A brochure of the SMA Manager for more information regarding that SMA Manager's brokerage practices and consider the additional expenses that you may incur.

Lockwood Advisory Products Program. In the case of the Lockwood Advisory Products, Lockwood directs all trading all behalf of the client's account. Clients participating in the Lockwood Advisory Products Program should review the Lockwood Firm Brochure for information concerning Lockwood's brokerage and trading policies and practices.

#### *Fund Trades*



Mutual funds purchased for a client's Program account generally will not have front-end or deferred sales charges (or, if the Funds have such sales charges they will be purchased for the client's Program account at net asset value (NAV), without front-end or contingent sales charges).

ETFs purchased for a client's Program account will trade at the market price available on the applicable exchange while Index Funds purchased during the trading day will be priced at the close of the trading day based on the NAV of the underlying securities. Typically, a commission will be incurred in connection with the purchase or sale of ETFs. Such commissions will be paid from the Wrap Fee or otherwise will be paid by us. All or a portion of the commission may be paid to BBVA Securities Inc., our affiliate.

Generally, when we or a Third-Party Model Strategist make a change in the composition or allocation of a Portfolio that contains Funds, the changes will be transmitted electronically to the Program Custodian, which will aggregate the trade information, generate corresponding trade orders, implement such trade order and execute and clear the trades in accordance with the Program Custodian's typical trade cut-off, block trading and settlement procedures.

Funds are subject to additional fees, charges and expenses. See above under "**Services, Fees and Compensation – The Fees We Charge – Charges and Expenses Not Covered By Wrap Fees.**"

#### *Equity Trade Aggregation and Allocation*

Individual securities will be purchased and sold from time to time within certain of the SmartPath Diversified Portfolios and certain of the SmartPath Managers Portfolios. Where we exercise discretion over trading, it is our policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to its other clients. Investment opportunities will be allocated based on numerous considerations, including cash availability and/or liquidity requirements, investment objectives and restrictions and analysis of drift reporting data.

When we believe it is desirable, appropriate and feasible to purchase or sell the same equity security for a number of our advisory clients (whether or not the clients participate in a Program) at the same time, we may aggregate its clients' orders ("Aggregated Orders") in a way that seeks to obtain more favorable execution, in terms of the price at which the security is purchased or sold and the efficiency of the processing of the transactions. Generally, trades made on the same trading day within the same Portfolio will be aggregated in the same trading block and will receive the same price.

SJIM's recommended model selections relating to the SmartPath Core Portfolio will also be followed by SJIM in making investments on behalf of its own clients. This may result in conflicts of interest in trading equity securities for the SmartPath Managers Portfolios. SJIM has agreed to provide us with information regarding the Core Model, including changes in the Core Model, promptly after SJIM determines to implement such changes in the Core Model for SJIM's advisory clients generally. There is no assurance, however, that equity trades for the SmartPath Core Portfolio will occur at the same time as or at the same price as trades conducted by SJIM for its own advisory clients whose assets are managed on the basis of the strategy underlying the SmartPath Core Portfolio.

Securities for aggregated orders will be deposited with the custodian of clients who participate in the aggregated order. We will not receive any additional compensation or remuneration as a result of any aggregated order. Trade orders are reconciled by us once confirmation of the trade is received by us.

#### Lockwood Advisory Products

In the case of the Lockwood Advisory Products, Lockwood directs all trading all behalf of the client's account. Clients participating in the Lockwood Advisory Products Program should review the Lockwood Firm Brochure for information concerning Lockwood's brokerage and trading policies and practices.

## **Conflicts of Interest**

### *Overview*

We and certain of our affiliates perform, among other activities, research, brokerage and investment advisory services for clients other than those participating in the Programs. We may give advice and take action in the performance of its duties to such clients (including those who may also be participants in the Programs) which may differ from advice given, or in the timing and nature of action taken, with respect to a client participating in a Program. In addition, we may give advice and take action in the performance of its duties to one or more of its clients that differs from advice given or action taken for another client at or about the same time.

We, one or more of our affiliates and any officer, director, stockholder, employee or any member of their families may have an interest in the securities purchased for client's Program accounts from time to time.

Certain of our principal executive officers are also principal executive officers of the parent company, Compass Bank. Our employees who are investment adviser representatives and act as financial advisors to clients under the Programs are, in many instances, also registered representatives of BBVA Securities Inc.

Under contractual arrangements with us, our parent company, Compass Bank, acts as UMA Model Strategist for the UMA Model Strategies available in our SmartPath UMA Program. In its capacity as UMA Model Strategist, Compass Bank is responsible for establishing the asset selection and asset allocations for the UMA Model Strategies and provides us with recommendations for purchases and sales for the UMA Model Strategies made available to our clients. Although we retain discretion over any account invested in a UMA Model Strategy, ordinarily we will exercise our investment discretion to implement the recommendations provided to us by Compass Bank. Currently, the compensation payable to Compass Bank for its services as UMA Model Strategist for the UMA Model Strategies is an annual fee of 0.15% of the total assets invested by our clients in the UMA Model Strategies. Although our IPC will, periodically, oversee, review and assess the overall strategy, asset selection and allocations recommended by Compass Bank and the performance of the UMA Model Strategies, we do not anticipate having such performance or characteristics be reviewed or assessed by an unaffiliated third party. Because of our affiliation with Compass Bank, our selection and monitoring of Compass Bank as UMA Model Strategist presents conflicts of interest.

### *Referrals to Affiliated Bank Trust Department*

Our parent company, Compass Bank, provides trust and fiduciary services, including investment management and advisory services, through its trust department, a separately identifiable division of Compass Bank that functions within the Global Wealth division. If we determine that a potential client is not interested in or would not be best served by participation in our investment programs and believe that the potential client may be interested in or would be best served through investment services provided by Compass Bank's trust department (the "Compass Trust Department"), we may refer the potential client to a representative of the Compass Trust Department. In the event that a potential client establishes an investment relationship with the Compass Trust Department, the referring Financial Advisor typically will receive referral compensation from Compass Bank. The Firm's affiliation with Compass Bank, and the potential referral compensation which our Financial Advisor receives, represents a conflict of interest in that such factors provide incentives for our Financial Advisors to refer potential clients to the Compass Trust Department in lieu of unaffiliated service

providers. However, the Compass Trust Department, and not the referring Financial Advisor or the firm, is solely responsible for determining whether the potential client satisfies the Compass Trust Department's eligibility criteria and whether to accept the account.

### **Proxies and Other Legal Notices**

*SmartPath Diversified Portfolios Program, Model Strategies Program, SmartPath Index Funds and ETF Portfolios, SmartPath Managers Portfolios Program and SmartPath UMA Program*

We will not vote, or give any advice about how to vote, proxies for securities in the client's Program account and, in the event of any matter in which the holder of any security or other interest held in the client's Program account is permitted to vote or grant proxies, the client will be solely responsible for determining whether or not to vote or grant and regarding the manner in which to vote such securities or other interests. If the client's Program account is, or is owned by, a pension or other employee benefit plan governed by the Employee Retirement Security Act of 1974 ("ERISA Plans"), as a condition to the establishment of a Program account we will be expressly denied the authority to vote any proxies for securities held in the client's Program account pursuant to the Program Documentation.

#### *SMA Program*

We are not responsible to vote proxies in SMA Program accounts.

In the case of accounts other than ERISA Plans, the SMA Manager will, to the extent permitted or required by applicable law, be solely responsible for voting issuer proxies if the client designates the SMA Manager to vote proxies in the Program Documentation. In the absence of such a designation, the client retains all proxy voting rights and responsibilities.

In the case of ERISA Plans, the SMA Manager will be responsible for voting proxies and reporting such votes to the client, unless proxy voting rights and responsibilities have been expressly reserved to the plan trustees or another plan named fiduciary as identified in the Program Documentation.

#### *Lockwood Advisory Products*

We will not be obligated to vote, or give any advice about how to vote, proxies for securities in the client's Lockwood Advisory Products Program accounts. Except in regard to ERISA Plans as noted below, the client will expressly retain such proxy voting authority and responsibility unless Lockwood is appointed to vote proxies in the Program Documentation. If the client's Program account is an ERISA Plan, Lockwood will vote proxies for the account unless the client expressly reserves the right and responsibility to do so in the Program Documentation.

### **Class Action Lawsuits**

We will have no obligation to provide the client notice of any lawsuit or related matter affecting a security held in the client's Program account. The client will be responsible to determine eligibility to submit a claim with respect to all lawsuits and other wise to determine all actions to be taken or not taken in connection with any such lawsuits, and we, the Program Custodian and the Introducing Broker shall have no obligation to take any such actions or to advise the client concerning such actions.

### **Requirements for State-Registered Advisers**

We are an SEC-Registered Adviser, not a State-Registered Adviser. As a result, this item is not applicable to us.