

**Item 1 - Cover Page**



Part 2A Appendix 1 of Form ADV:  
*EQIS Capital Wrap Fee Program Brochure*

**EQIS Capital Management, Inc.**

1000 4th St., Ste 650

San Rafael, CA 94901

Telephone: 800.949.9936

Email: [support@eqiscapital.com](mailto:support@eqiscapital.com)

Web Address: [www.eqis.com](http://www.eqis.com)

CRD # 126052

Brochure Effective Date:

April 23, 2018

This Wrap Fee Program brochure provides information about the qualifications and business practices of EQIS Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 800-949-9936 or [support@eqiscapital.com](mailto:support@eqiscapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about EQIS Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 126052.

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

**Item 2 - Material Changes**

This “Item 2 – Material Changes” summarizes material changes since the previous annual updating amendment dated March 29, 2017. This Brochure replaces the firm’s prior Brochure as of the effective date noted on the cover page.

Since the March 29, 2017, annual updating amendment, the Firm has added a new Co-Adviser service type that Financial Professionals can utilize in customizing a Client’s allocation. See Item 4 for a complete discussion of the new service type.

### **Item 3 - Table of Contents**

Item 1 - Cover Page .....	I
Item 2 - Material Changes .....	1
Item 3 - Table of Contents.....	2
Item 4 - Service Fees and Compensation .....	3
Item 5 - Account Requirements and Types of Clients .....	14
Item 6 - Portfolio Manager Selection and Evaluation .....	17
Item 7 - Client Information Provided to Portfolio Managers .....	19
Item 8 - Client Contact With Portfolio Managers .....	19
Item 9 - Additional Information .....	19

**Item 4 - Service Fees and Compensation****PROGRAM SUMMARY:**

EQIS Capital Management, Inc. (“EQIS” or “Firm”) offers a Turnkey Asset Management Platform (the “Platform”) for Financial Professionals (“FP”). Independent and unaffiliated financial services firms (“Introducing Firms”), which include broker-dealers and other registered investment advisers, introduce Clients (“Clients”) to EQIS through the Introducing Firm’s FPs that are duly licensed to offer fee based financial products and services.

Through the Platform, a FP can access the EQIS Capital Wrap Fee Program (the “Program”) which provides access to predetermined investment models. Alternatively, the FP can leverage the Platform’s technology to create a customized allocation of asset class weightings and portfolio strategists, which are investment advisers that manage particular strategies offered through the Platform (the “Portfolio Strategists”). Through the Platform, each Client account (“Program Account” or “Account”) will be assigned one or more Portfolio Strategists to manage its respective portion of the allocation (each a “Sleeve” or “Portfolio” within a “Model Allocation”) as determined by EQIS for Model Allocations subscribed to under the Solicitor Service Type, or the Client’s FP when customized allocations are created under the Co-Advised Service Type. Clients can place reasonable restrictions on the types of investments to be made on the Client’s behalf for Co-Advised Accounts but such restrictions may be limited within Model Allocations.

EQIS believes the Program provides investors an investment management solution with lower account minimums and costs than those offered by similar programs. Clients pay a fee calculated on the average daily balance of the account for any month for which the fee is calculated. EQIS retains a portion of the fee to cover the cost of administering the program and for providing portfolio management. Portions of the fee are further shared with the Account custodian, which is currently Folio Investments, Inc. for all Accounts (“Account Custodian”), for providing custody, clearing and other services, although additional fees will apply with respect to the Account Custodian’s services. Depending on the negotiated agreement between EQIS and the Introducing Firm, a portion of the Program fee may be paid to the Introducing Firm in addition to the FP fee. (See “Program Fees” herein for additional information pertaining to fees).

EQIS typically will not accept a Client into the Program that is not introduced by a FP. EQIS will offer the Program to investors through FPs that are Investment Adviser Representatives (“IARs”) of EQIS from time to time. The services to be provided and the obligations of Client, FP and EQIS are outlined in the Account Application entered into at the time of establishing the Program Account which includes an investment management agreement and may be amended in writing from time to time. Clients are free to direct the account in any manner that meets their objectives and may instruct EQIS in determining the asset allocation, Portfolios to be used, as well as any restrictions (such as socially responsible exclusions) the Client instructs EQIS to place on the account however such restrictions may be limited due to Model Allocations.

The introducing FP serves as the liaison between EQIS and the Client and is responsible for gathering and communicating the Client’s financial information, risk tolerance and investment objectives. Clients grant EQIS discretionary authority to place trades for the Account and when appropriate - relative to the Client’s investment objectives or any restrictions placed on the Account by the Client - to make changes to the asset allocation or Portfolio selection. By executing a Limited Power of Attorney (“LPOA”), Clients may also grant to their FP the authority to effect changes to the Account to include the Portfolio selection and/or disbursement from an Account. Once an Account is established, EQIS monitors the Portfolios and executes all trades for the Account. The FP will continue to service the Client relationship by contacting the Client at least annually to confirm the appropriateness of the allocation and to identify any changes that may need to be made to the Client’s investment objectives or needs. The FP will communicate to EQIS any changes to the Client’s Account as appropriate.

FPs may provide other clerical or administrative duties for a Client’s Account and may also provide other services outside and in addition to the services offered through the Program. This Brochure describes the products and services offered by or through EQIS only. Since FPs may offer other third party services in conjunction with, or outside those provided through the Program, Clients should read and review the Introducing Firm’s disclosure brochure so as to fully understand the services being rendered to the Client by the Introducing Firm through the FP or otherwise. Clients may also wish to consult with their FP about the services provided by EQIS and by Portfolio Strategists, and may obtain information about the Portfolio Strategists in such Portfolio Strategists’ respective Form ADV filed with the SEC and available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Using information provided by the Client, a proposal may be generated through a third party platform and includes an asset allocation diversifying the Client’s Account across asset classes, equity styles, and portfolio strategists. In determining an appropriate asset

allocation, the proposal generation system considers the results of the Client's Risk Tolerance Questionnaire ("RTQ") which is completed as part of the Account Application and which categorizes the Client's investment risk appetite into any one of five risk categories ranging from conservative to aggressive. Other factors considered when determining the appropriate allocation include the individual needs of the Client, the Client's income, age, net worth, any restrictions the Client wishes to place on the account, and other factors as may be applicable and provided by the Client or their FP. Proposals include information with respect to prior performance which is not indicative of future results, and they include disclosures that should be read carefully and discussed by Client with their FP prior to making an investment decision.

Clients can choose to allocate their investments using one of the Investment Program Types offered through the Platform. The Program Type selected will comprise of one or more Portfolios providing diversification across the spectrum of domestic and international equity styles, fixed income and other asset classes. A Portfolio is comprised of a basket of securities or other investment vehicles which meet the asset classification of the desired allocation which may contain without limitation individual stocks, preferred stocks, American Depositary Receipts (ADRs), exchange traded funds (ETFs), fixed income, mutual funds or money market funds. For example, a Portfolio within an Account assigned to a Large Cap allocation will have within the portfolio individual securities of Large Cap companies or other investment vehicles comprised of Large Cap securities.

EQIS manages the Portfolios whether the Portfolio is constructed by EQIS ("EQIS Managed Portfolios") or by Portfolio Strategists with which EQIS has contracted with to provide the recommended securities to fill a particular asset class allocation. Collectively, whether the Portfolio is an EQIS Managed Portfolio or a Portfolio Strategist's recommended allocation, it may be referred to here as a "Portfolio Strategy", "Portfolio" or "Strategy". Depending on the underlying securities comprising a Portfolio, some Portfolios may have minimum investment amounts or limitations on trades that can be executed.

EQIS typically utilizes a long term buy and hold approach however some Portfolios may deploy strategies having shorter hold periods or more active trading strategies may be used when deemed appropriate by EQIS or Portfolio Strategists. When Co-Advised, the FP may choose to rotate Portfolio Strategists. Portfolio Strategists provide their recommendations and trade signals to EQIS for execution purposes. Portfolio Strategists do not have access to Program Accounts or any other Client information.

**SERVICE TYPES**

FPs utilizing the Platform can manage their Client's Account as a solicitor ("Solicitor") or as a co-adviser ("Co-Adviser") (each a "Service Type").

When acting as a Solicitor, the FP assists the Client in completing a RTQ and, based on the information provided, the Platform will generate an EAS-E Model recommendation.

FPs can also be engaged as Co-Advisers to the Account. As a Co-Adviser, the FP can choose from any of the Program Types offered and can customize the Client's allocation by selecting from the Portfolio options made available on the Platform to fill the proposed allocation target weighting. The FP as Co-Adviser can also adjust the proposed target weighting or build an allocation weighting and Portfolio selection independent of the Program's recommendation. While the FP may construct the Portfolio allocation, the FP is limited to allocating among Portfolios offered through the Program and is not able to recommend individual securities for their Accounts through the Program. For Co-Advised allocations, both EQIS and the FPs will monitor the Portfolio Strategists and allocations and EQIS will execute trades based on the signals provided by the Strategist. The FP is responsible for (1) constructing the Portfolio, (2) determining the appropriateness of Portfolio allocations for the Client, and (3) assigning the various Portfolios to each Account.

Clients generally grant the FP a limited power of attorney ("LPOA") which will authorize EQIS to accept instructions directly from the FP. The authorization granted is limited to changing an Account allocation or Portfolio Strategist selection, or if applicable, to managing disbursements to the Client. The Client must review the complete details of the authority provided for in the LPOA. Each LPOA provides that it may be revoked by the Client at any time.

The Service and Program Type are selected by the Client or the FP on behalf of the Client and outlined in the Account Application.

**PROGRAM TYPES****ETF Program:**

Clients can participate in the EQIS exchange traded fund ("ETF Program") which consists of 19 asset classes. Each asset class is represented by multiple exchange traded funds ("ETFs") with the objective of capturing the entire asset class. The ETF Program Portfolios

are created and managed by EQIS. When the ETF Program is elected, the Introducing FP will enter Client specific information and the Platform will generate a recommended investment allocation weighting of the appropriate asset classes and allocation recommendation. The FP is free to accept EQIS's recommendation or adjust the weighting of the asset allocation.

#### UMA Program:

The Unified Managed Account Program ("UMA Program") permits an investor to choose from 20 asset classes. Each asset class may contain a different Portfolio Strategist or may be an EQIS Managed Portfolio. Portfolios in the UMA Program may contain a combination of individual stocks, exchange traded funds, and/or mutual funds. When a Portfolio Strategist is used, the Portfolio Strategist will provide EQIS the initial security allocation and will continuously manage and update the allocation. When the Portfolio Strategist determines that a change in the Portfolio is necessary, the Portfolio Strategist provides EQIS with its recommendation and EQIS will execute the corresponding trades. When an EQIS Managed Portfolio is included in the UMA program, EQIS manages the Portfolio within the Portfolio's stated objectives. In this regard, the UMA Program may contain a blend of Portfolios consisting of Portfolio Strategist and EQIS Managed Portfolios. When the UMA Program is elected, the Introducing FP will enter Client-specific information and the Platform will generate a recommended investment allocation weighting. Based on the recommended weighting, the Introducing FP may select one or more Portfolio Strategists offered through the Platform to manage the various asset classes. If the Client has elected a UMA -Custom Service Type, the FP may alter the recommended weighting of any asset class or develop a custom Allocation for the Account in addition to choosing the Portfolio Strategists.

#### EAS-E Program Type:

As a subset of the UMA Program Type, EQIS has developed the EQIS Allocations Scientifically-Engineered model allocations (the "EAS-E Models"). The EAS-E models consist of various models which span the spectrum of investment philosophies - from strategic to tactical and income to distribution- and all allocations are scientifically engineered. The EAS-E models are designed to offer broad diversification with the goal of providing investors long term risk-adjusted returns. The allocations, which are managed by EQIS, are developed by the Investment Committee using academic theory and research, in-house scenario analysis, computerized mathematical simulations, and EQIS's own proprietary quantitative modeling.



#### Wrap Brochure

The EAS-E Strategic models are available in Strategic 100, Strategic 85, and Strategic 65; where the number indicates the minimum percentage that a model will be allocated to strategic management, with the remaining percentage allocated to alternative strategies or tactical management. The more tactically-oriented models are known as the EQIS EAS-E Dynamic models, which consist of both tactical and concentrated sector strategies. Tactical managers, using disciplined methodologies, can do any or all of the following: increase equity exposure, rotate sectors, asset classes, and geographic regions, and go to cash (i.e., allocate to cash or cash equivalent securities).

The Strategic Income models are a set of Portfolios that consist primarily of high dividend-yield stocks and high-yield bonds. The associated Portfolios are designed to be broadly diversified across asset classes and geographic regions. The particular holdings generally include both large firms and also firms in specific sectors and asset categories such as utilities, real estate, and energy.

The EAS-E Dynamic Distribution strategies primarily consist of high dividend-yield stocks and high-yield bonds. The associated Portfolios are designed to be broadly diversified across asset classes and geographic regions. The particular holdings include both large firms that typically generate dividends and also firms in specific sectors and asset categories that have historically generated reliable income, such as utilities, real estate, and energy. The core equity investment is generally in domestic large cap and value firms. The allocation is diversified across domestic and international assets, utilities, energy firms, REITs and deploys a hedging strategy (for some downside protection), with a tactically managed fixed income component. The model also includes an allocation that can be used, if necessary, for tactical distributions.

Each of the EAS-E models are available in five risk categories, from Conservative to Aggressive. These models may be selected either through the Program's proprietary proposal generation system or individually selected by the Client or the FP based on the Client's risk tolerance. Unlike portfolios that can be individually selected by the Client or FP, the EAS-E models are constructed and managed exclusively by EQIS and EQIS may make allocation and manager changes from time to time. Though each Client retains control over their Account, Clients may be limited in the restrictions they can impose on an Account participating in any one of the EAS-E models. See the appropriate EAS-E Model Fact Sheet and/or strategy brochure for specifics as to the compilation or methodology deployed in any particular EAS-E model and for important disclosures that should be read carefully and discussed with your FP prior to making an investment decision.

**STATEMENTS & REPORTS:**

Clients will receive all brokerage statements (at least quarterly) and trade confirmations directly from the Account Custodian and will also receive monthly performance reports from EQIS. Clients will have access to Account information and reporting through the Account Custodian's website and will also have access to their Account information through the Platform. When establishing an Account, EQIS provides all Clients a "virtual filing cabinet" which contains electronic copies of performance statements, account opening documents and other statements and disclosures. Clients may consent to receive all notices, documents, and other information related to the Account electronically. Electronic delivery may be done via email, electronic delivery of a portable document format (PDF), hypertext mark-up language (HTML), or other electronic media. The Client's consent to electronic delivery extends to all information required to be provided by EQIS and/or the Account custodian, the security issuers, and other third parties. Clients may revoke their consent to electronic delivery at any time. Clients who choose to receive paper statements instead of electronic delivery may incur additional fees or costs to receive paper statements. Clients are advised to carefully compare the information provided by EQIS with the official records provided by the Account Custodian.

**PROGRAM FEES:**

EQIS charges an annual fee (the "Program Fee") depending on the Program Type selected that covers the costs of administering the Program as well as Portfolio Strategist costs, trading, custody and clearing. The Program Fee, which is paid monthly in arrears, does not include the FP Fee or other ancillary fees as may be applicable such as fees charged by particular investment funds or Custodian maintenance fees. The Program Fee, as noted in the table below, is calculated monthly as a percentage of the Account value using the average closing market value of the Account for the number of days for which the securities markets were open for the month in which the Program Fee is calculated. In the absence of a specific market value for any security, the fair market value for that security will be used. The Program Fee is tiered, meaning each tranch of the Account value will be assessed the corresponding fee per tier. Program Fees are directly debited monthly from the Account in the month following the month for which the Program Fee was calculated and are paid to EQIS by the Account Custodian. For Clients with more than one Account, typically each Account is mutually exclusive for purposes of calculating and debiting the Program Fee. Clients should fully review and understand all disclosures relevant to their Account as the Account will be assessed fees in addition to the Program Fee.

<b>Account Value</b>	<b>Unified Managed Account Program Fees</b>	<b>EQIS Exchange Traded Fund Program</b>
First \$250,000	1.15%	0.90%
Next \$250,000	1.05%	0.80%
Next \$1,500,000	0.95%	0.70%
Next \$3,000,000	0.85%	0.60%
Amounts over \$5,000,000	0.75%	0.50%

The Program Fees are negotiated between EQIS and the Introducing Firm therefore Clients may pay more or less for the services than other Clients in the Program who are serviced by other Introducing Firms. The amount of Program Fees paid are noted in the Account Application based on the proposed investment amount. All applicable fees are further disclosed in the monthly performance report provided by EQIS as well as in the statements provided by the Account Custodian.

If an account has a blend of both the UMA and ETF Programs, the entire account will be assessed the higher of the two applicable Program Fees. For example, if at Account opening the ETF Program is selected but later includes all or a portion of the UMA Program, the higher UMA Program fee will apply to the entire Account. If an Account is established electing the UMA Program and subsequently moves entirely to the ETF Program, the lower fee will be applicable after such change is affected.

When constructing the EAS-E models, EQIS will use one or more EQIS Managed Portfolios within the Model. As a result, EQIS will receive additional compensation beyond the Program Fee which creates a conflict of interest as EQIS has an incentive to create models which contain its own managed sleeves over those managed by third parties. Generally, EQIS will only recommend an EQIS Managed Portfolio when no feasible third party option is available. If an Account is allocated to an EAS-E model, EQIS will reduce the Program Fee by the weighted percent of the model allocated to the EQIS Managed Portfolio.

The Program Fee does not include the FP fee which is negotiated between the Client and FP as disclosed in the Account Application. Any debits to the Account are reflected on

the EQIS statement as well as the Account Custodian's statement. The Program Fee noted does not include additional Account maintenance charges which might include wire transfer fees, annual charges for qualified accounts, or fees associated with an investment vehicle within the Account. Nor does it include any special trade charges or other fees which may be assessed by the Account Custodian, or any exchange which may assess a fee for investments transacted for the Account.

#### Financial Professional Fee:

In addition to the Program Fee, the FP will typically charge a financial professional fee ("FP Fee") for his/her services as compensation for introducing Clients to the Platform, gathering and communicating Client's financial information, assisting in the Portfolio allocation determinations, monitoring the Account, and informing EQIS of any material changes in the Client's objectives, as well as other administrative duties performed by the FP. The FP Fee is negotiated between the Client and the FP but under no circumstances shall the FP Fee exceed 1.5% of the Account value per annum. Because the FP receives compensation for introducing Clients to the Program, the FP has an incentive to recommend the Program over other services and this incentive poses a conflict of interest. Client's should review the Introducing Firm's Brochure or other disclosure documents for any issues or conflicts which result from the payment of fees or other compensation paid to the Introducing Firm or its FP for participating in the Program. Purchasing the services separately may cost less than participating in the Program. The Financial Professional Fee is in addition to the Program Fee but will be calculated and debited from the Account in the same manner as the Program Fee as noted above except that the Financial Professional fee is a flat fee assessed against the account without tiers.

Certain FP's have purchased stock in EQIS's parent company, EQIS Holdings, Inc. ("EQIS Holdings"). As shareholders in EQIS Holdings, those FPs receive benefits to the extent EQIS Holdings pays dividends to its shareholders and to the extent the value of shares in EQIS Holdings increases. These benefits are a form of indirect compensation that creates a conflict of interest as the FP has an incentive to refer Clients to EQIS over other firms with which the FP does not have a shareholder relationship.

#### Other Fee Disclosure:

Clients are advised to review the Account Custodian's fee schedule for additional fees applicable to the Account. Clients should review and understand the statements provided by the Account Custodian and immediately notify their FP or EQIS if a discrepancy is discovered. Clients should also review their custodial agreement, any prospectus, or

other disclosure documentation regarding any Account investment's internal fund fees or other charges which will be assessed against the Account or investment vehicle. Clients should be aware that if participation in the Program is terminated for any reason but the assets remain in the Account, the Account Custodian will assess an annual fee for custody, clearing and servicing the account of up to 0.20% (20 basis points). The fee/fees paid to participate in the Program may exceed the aggregate cost of such services if they were to be provided separately and not combined within the Program.

### **CUSTODY, CLEARING & TRADING:**

When establishing an Account, Clients will authorize EQIS to open an account with the Account Custodian on behalf of the Client. Although it is included in the Account Application, the agreement between the Client and the Account Custodian is solely between the Client and the Account Custodian. There is no affiliation between EQIS and the Account Custodian. The Account Custodian is a broker-dealer and FINRA member which executes transactions for Accounts, maintains custody of Client assets in the Account, and provides other brokerage, custodial and recordkeeping services on the Client's behalf. In order to manage the Account, the Client grants to EQIS the authority to establish the Account with the Account Custodian and to take other actions, which include allocating Sleeves to the Account, executing trades, and executing other instructions as may be provided by Client or the FP if so authorized.

### **Best Execution:**

When executing transactions in an Account, EQIS does not have the authority to determine the broker-dealer to be used or to direct where trades are to be executed. EQIS reviews the Account Custodian's executions, but EQIS will not utilize other brokers-dealers on behalf of its Clients. Not all wrap programs require Clients to use a particular broker-dealer. Appointment of the Account Custodian as the exclusive broker-dealer for the Account will result in certain costs and disadvantages to the Client as a result of possibly less favorable executions than could be obtained by using multiple broker-dealers.

### **Trade Windows:**

When executing trades through the Account Custodian, the Program is limited to submitting trades twice a day during any full trading day (each a "Trade Window") and trading may be limited on partial days. The Trade Window provides economies of scale to trade execution but will cause negative effects when trades are not able to be

processed by the Account Custodian in a timely manner. Because of the Trade Window limitation as to when trades occur, Portfolio Strategists managing same or similar strategies through other broker-dealers or programs may achieve better prices for securities bought or sold than those obtained by EQIS. As such, Portfolios and/or the underlying securities in a Portfolio may experience dispersion from the same or similar portfolios deployed elsewhere.

Accounts may buy or sell securities outside of any Trade Window and requests are processed in the order they are received. However, the cost of non-Trade Window trades is not included in the Program Fee and therefore will be billed as a separate additional trade cost. Clients are advised to review the Account Custodian's trade costs as may be applicable to trades executed outside a Trade Window.

#### Block Trading:

EQIS will generally aggregate transactions when submitting trades to the Account Custodian. Aggregating transactions (or "block trading") is when a block of the same securities for various Accounts or Portfolio(s) are bundled and submitted for execution to the Account Custodian. When securities are bought and/or sold in blocks, the price paid or received is the average price received for all securities involved in the transaction(s) in order to fill the block. However, because Accounts may be allocated fractional shares, the decimalization of the share when calculated against the price received per share may result in Clients paying a slightly different price per share. This difference is de minimis, typically resulting in a difference of a penny or a fraction of a penny. When block trading, the allocation of securities or proceeds is determined by EQIS before the block trade is submitted to the Account Custodian. If a block trade is not able to be completed in its entirety, the pre-determined allocation will be adjusted pro-rata across the Accounts involved so that, over time, no one Account or series of Accounts are treated more favorably than others.

#### Trade Thresholds:

EQIS and/or the Custodian have established a trade threshold which, if not met for a particular Account, strategy or transaction, will result in the failure of certain trades to be executed. This situation will arise when the position slated to be bought or sold is too small, as per the Custodian's arrangement with EQIS, to execute. The Threshold per transaction may be a dollar and/or a percentage threshold and is currently set at \$10.00



per transaction. The percentage threshold is the minimum percentage by which the current weight of a security as determined by the target allocation deviates before an order will be placed. The dollar threshold is the minimum dollar amount a trade must meet before the trade for that position will be executed. The Thresholds will cause some Accounts to experience dispersion from the Portfolio or other accounts assigned the same Portfolio. Clients should consider the Threshold carefully since a higher Threshold will result in fewer trades executed.

#### Dispersion:

The performance of a Model Portfolio and a Client's actual Portfolio can vary. The difference between Model Portfolio performance and actual performance is called dispersion. Dispersion can occur between Portfolios and Model Portfolios within the Program, as well as from a Model Portfolio when managed outside the Program.

Dispersion can cause performance of an Account Portfolio to be either greater than, equal to, or less than the performance of the Model Portfolio. In addition, dispersion can account for slightly different holdings or percentage holdings in a Program Account versus the Model Portfolio. Finally, there may be dispersion between the returns earned by different Clients whose investments are tracking the same Portfolio(s). Dispersion among Accounts can occur because of the combination of each Client's assets being held directly in their own Account and the differences between Account size, Client additions or withdrawals, and Client imposed restrictions, and trade thresholds, among other factors.

EQIS treats all Portfolio Strategist updates including security selection and timing as recommendations and not mandatory. As such, EQIS, in its sole discretion, will determine whether Portfolio Strategist recommendation(s) will be implemented which may also cause dispersion.

EQIS will undertake reasonable efforts to mitigate the effects of dispersion by: (i) periodically reviewing and monitoring Accounts to identify significant unjustified dispersion, and (ii) where appropriate, executing non-strategy trades or account rebalancing to minimize dispersion. Any significant performance dispersion is reviewed periodically to determine if any action is necessary.

### **Item 5 - Account Requirements and Types of Clients**

#### **MINIMUM ACCOUNT REQUIREMENTS:**

Participation in the Program is subject to certain minimum account requirements. A minimum Account value of \$25,000 is generally required to participate in the Program. This minimum may be negotiated under certain circumstances. Plan Participants can establish an Account with an Account minimum as low as \$1.00 if so permitted by the particular ERISA plan.

Clients can make subsequent contributions at any time. Subsequent contributions may result in dispersion depending upon the time when such subsequent contributions are made. Subsequent contributions will be held in a money market fund until such time as there is a minimum of \$1,000 to reallocate into the designated asset allocation within the Account (notwithstanding the lower Threshold for trading).

Clients must establish their Accounts with the Account Custodian in order to participate in the Program. EQIS is not able to accept Accounts held by custodians other than Folio Investments, Inc. EQIS reserves the right to not accept any Account for which the Client directs the use of a broker dealer/custodian other than Folio Investments, Inc.

### **TYPES OF CLIENTS:**

The Program is offered primarily to retail Clients such as individuals, trusts, 401(k)s, individual retirement accounts (“IRAs”) and other retirement and business accounts. In limited situations, Portfolios or other services may be made available to institutional investors or other program sponsors.

The Program is designed to manage Accounts based on the individual needs of the Client, as assessed by the Client’s FP and/or EQIS based upon the Client’s RTQ and Account Application, through the use of Portfolio Strategists that are either employed by EQIS or contracted by EQIS. Each Account may have a combination of Portfolios. A Portfolio within an Account will typically be managed in accordance with the Portfolio Strategist’s discipline subject to EQIS’s discretion. For example, one Strategist may be selected by a FP to manage a large cap allocation of an Account while a different Strategist may be chosen by a FP to manage a fixed income allocation. It is possible for a Portfolio Strategist to manage more than one Portfolio and be utilized for more than one asset class represented within a Client Account.

### **Client Information:**

Information provided by Clients is critical for FPs and EQIS to determine the appropriate asset allocation and Portfolio. Though an Account’s initial allocation is determined by



information provided by the Client regarding the Client's objectives, the Client must inform the FP, who in turn will inform EQIS, of any changes which occur in a Client's investment objectives, timeline, risk tolerance or liquidity which may affect the Account Portfolio allocations.

#### Terminating the Account Agreement:

A Client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice to the FP or to EQIS. The Client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement. Upon termination of any agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees for any unbilled portion of a month will be collected prior to disbursement of funds.

Under certain circumstances, a Client may choose to terminate his/her relationship with a FP or the FP may choose to no longer service the Client's Account. Under these circumstances - as well as when the Client chooses to terminate the Client agreement - the Account will not be assessed the FP Fee nor the Program Fee after EQIS receives or provides notice of cancellation of the Account agreement. However, the Account will be assessed a custody and clearing fee imposed by the Account Custodian which is generally an annualized charge of 0.20% (20 basis points) of the Account value. When an agreement is terminated, Clients are advised to transfer the Account assets to a new FP to ensure continued supervision of the Account.

#### ERISA & Other Retirement Accounts:

EQIS may serve in one or more capacities as a fiduciary to employee benefit plans or IRAs pursuant to ERISA regulations under the Internal Revenue Code of 1986 (the "Code") as well as rules and regulations as may be promulgated by the Department of Labor. As such, EQIS is subject to certain duties and obligations which include among other things, the accurate and transparent disclosure of fees and Program expenses, restrictions concerning certain forms of compensation and other prohibited transactions. Program Accounts subject to ERISA will typically not include assets that result in commissions or pay related 12b-1 fees. If for some reason an Account holds an asset that has such fees, the fees will be used to offset the Program Fee. EQIS does not provide administrative, or recordkeeping services to ERISA plans nor does it provide individualized investment advice to plan participants.

**Item 6 - Portfolio Manager Selection and Evaluation****PORTFOLIO MANAGER SELECTION:**

The EQIS Investment Committee, under the direction of the Chief Investment Officer (“CIO”), determines Program offerings which include EQIS managed Portfolios as well Portfolios designed by contracted Portfolios Strategists. The Investment Committee is responsible for the Program offerings, including conducting research and due diligence, approving and removing Portfolios and Portfolio Strategists, and generally supervising and overseeing the Program. Please see the ADV 2Bs enclosed here for additional information pertaining to the education and qualifications of the Investment Committee.

The Investment Committee designs Asset Allocation Models (“Models”) comprised of various Portfolios diversified across multiple asset classes. The Models are constructed taking into consideration the needs and risk preferences of Clients. The core of EQIS’s management philosophy employs an augmented version of the Porter Five Forces Model, a tool used in analyzing the competition of a business, in conjunction with the implications of modern portfolio theory and other fundamental research. Portfolio Strategists are selected according to their track records, risk controls, and investment methodologies. When adding Portfolios to the Program, the Investment Committee will include only those Portfolios that it believes will provide the best risk adjusted return for the asset class and/or equity styles relative to the Portfolio’s peer group. Strategists usually must have a minimum period of live money returns before being considered. Though each Portfolio Strategist undergoes due diligence and monitoring, the Investment Committee does not independently verify their returns.

The ETF Program Portfolios and portions of the EAS-E models are proprietary Portfolios managed by EQIS. This creates a conflict of interest as the fee that would otherwise be paid to a Portfolio Strategist is retained by EQIS and therefore EQIS has an incentive to use its proprietary Portfolios over Portfolios provided by contracted Portfolios Strategists. EQIS discounts the Program Fee for Accounts utilizing the EAS-E models by the pro-rata amount that would otherwise be paid to a Portfolio Strategist(s). The rebate amount is noted in the monthly Account Statement provided by EQIS.

**Methods of Analysis:**

In developing and/or reviewing Portfolios, the Investment Committee will utilize a variety of analysis methodologies.

EQIS utilizes a number of sources of financial information in the analysis of the securities it selects for its proprietary Portfolios including financial newspapers and magazines, research materials and reports, corporate rating services, annual reports, prospectuses, SEC filings and company press releases. EQIS utilizes several data resources in gathering historical information, as well as annual and quarterly reports. Using fundamental analysis, securities are monitored and evaluated relative to market and industry conditions.

When selecting individual equities, EQIS also takes the industry into consideration in the interest of maintaining diversification to maximize risk adjusted returns. ETF's or mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

EQIS generally recommends the purchase of securities to be held for a year or longer in Client Accounts. A risk in a long-term purchase strategy is that by holding the security for a length of time, the Account may not take advantage of short-term gains that could be profitable. Additionally, a security may decline sharply or totally in value before the recommendation to sell is made.

EQIS researches Portfolio Strategists and their security analysis methods for different classes and investment styles. Other sources of information for evaluating Portfolio Strategists are the qualitative and quantitative materials prepared by in-house analysts; publicly available information contained in the financial press and other sources; information, research and statistical materials prepared by third parties; and computer readable financial databases containing business and financial statistics. Third party consultants may be utilized to support the ongoing evaluation process.

#### Changing Model Managers / Portfolios:

Performance of the Portfolios is monitored by the Investment Committee and there may be an occasion where it is determined that a Portfolio is no longer appropriate for Client Accounts. Portfolios that materially under-perform relative to their asset class and/or equity style will be reviewed by the Investment Committee and likely will be replaced. A Portfolio may be replaced for any of a variety of other reasons including, but not limited to, a change in the investment style or processes employed by the Strategist, and a change in key personnel. EQIS may change a Portfolio at any time in its discretion but will attempt to provide Clients and their FPs advance notice of any proposed changes.

EQIS does not charge Clients a fee to change Portfolios and/or allocations, however, the Program is generally intended for investors with a longer time horizon and is not designed for Clients who plan to make frequent changes. Clients will not pay other fees, such as Account Custodian fees, when changing Portfolios and/or allocations at EQIS's recommendation or otherwise.

#### Voting Client Securities:

As a matter of firm policy, EQIS does not vote proxies on behalf of Clients. Therefore, Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client's investment assets. Clients are responsible for instructing the Account Custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets.

#### Performance Based Fees and Side-by-side management:

EQIS does not participate in gains achieved in Client accounts and as such it does not receive any performance based fees. Additionally, EQIS does not engage in side-by-side management of proprietary accounts alongside Client Accounts.

### **Item 7 - Client Information Provided to Portfolio Managers**

Portfolio Strategists do not trade or review a Client's particular Account or allocation and as such they are not provided any information about individual Clients.

### **Item 8 - Client Contact With Portfolio Managers**

Portfolio Strategists do not generally interact with individual Clients, however EQIS may make its Investment Committee members responsible for proprietary Portfolios available to discuss EQIS's proprietary Portfolios. Clients may also request meetings with contracted Portfolio Strategists through their FP.

### **Item 9 - Additional Information**

Disciplinary Information:

Neither EQIS nor its principals have any disclosable disciplinary history.

Other Financial Industry Activities and Affiliations:

EQIS Holding, Inc., the Parent company of EQIS also owns EQIS Securities, LLC, a FINRA member broker dealer. Certain of EQIS's principals, IARs or other supervised persons may be licensed as registered representatives or insurance agents. As such, certain supervised persons receive separate compensation and/or commissions for selling insurance and or other investment products to advisory Clients. This receipt of additional compensation creates a conflict of interest.

Inherent Risks:

There are inherent risks related to investing. These risks include, but are not limited to, the potential complete loss of principal. Program returns are highly dependent upon market trends, especially over shorter time frames. Therefore, the Program is generally most appropriate for investors seeking long-term investment objectives as opposed to investors seeking to use the Program for short-term trading purposes, although long-term investing still involves risk. EQIS makes no guarantees as to the performance of Client Program Accounts and/or the securities in the Portfolios allocated to Client Accounts. There is no guarantee that a Client's investment objectives will be achieved. Clients should be aware they could suffer the total loss of their investment through the Program.

Notification of Error Reports:

Clients must notify EQIS promptly if they suspect there has been an error related to their Account. It is the Client's responsibility to seek immediate clarification about Account activity that is not clearly understood. All Client communications sent to the address of record or in the manner requested by the Client are presumed to have been delivered and received whether or not actually received.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading:

EQIS has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. EQIS and its personnel owe a fiduciary duty to Clients and have an

obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the periodic review of securities transactions and securities holdings that must be submitted by the firm's access persons. Among other things, our Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering and incorporates provisions for oversight, enforcement and recordkeeping.

EQIS's Code of Ethics also includes the firm's policy prohibiting the use of material nonpublic information. While we do not believe that we have a high risk of receipt of material nonpublic information, all employees are reminded that receipt of such material nonpublic information must be reported to the CCO immediately.

A copy of our Code of Ethics is available to Clients and prospective Clients. Clients may request a copy by email sent to [compliance@eqis.com](mailto:compliance@eqis.com), or by calling us at (800)949- 9936.

#### Personal Trading:

Our firm and/or individuals associated with our firm may have an interest or position in certain securities which may also be recommended to Clients. It is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory Account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory Accounts.

EQIS does not typically engage in agency cross transactions. To the extent EQIS were to execute a transaction as an agency cross, EQIS would comply with the regulations and receive among other things, Client consent prior to the transaction.

Personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

#### Review of Accounts:

Client allocations are reconciled with the Account Custodian's records on a daily basis. While the underlying securities within the Program Accounts are monitored, Program Accounts are rebalanced when the Investment Committee deems appropriate.

#### Wrap Brochure

EQIS reviews Accounts at the strategy and portfolio level and considers factors relevant to the determination of whether or not the assets held by Accounts and the investment strategy employed are consistent with the investment objectives. More frequent reviews may be triggered by material changes in variables such as drift from the model portfolio weighting, the market, political or economic environments. The review will be conducted to determine if the current investment holdings of the account are consistent with the Client's investment objectives. Model Portfolios that are deemed consistent with the Client's objectives and asset allocation will not be rebalanced and will not be reviewed again until the next selected interval.

The Authorized FP will contact the Client on at least an annual basis to discuss information related to changes to the Client's financial circumstances or investment objectives. However, should there be any material change in the Client's personal and/or financial situation, the Client should notify EQIS or their FP immediately to determine whether any review and/or revision of the Client's investment profile is warranted.

#### Client Referrals and Other Compensation:

EQIS currently maintains marketing arrangements with Introducing Firms that are independent investment advisers and/or broker-dealer firms through which FPs introduce the Program to the public. Through these arrangements, EQIS pays a percentage of the Program Fee to the FP and/or the Introducing Firm. Certain Introducing Firms charge a fee in addition to the Program Fee; Clients should review their respective Introducing Firms ADV for further information regarding Introducing Firm fees. Clients should be aware that these payments create an incentive for the Introducing Firm to recommend participation in the Program over other Programs for which no such compensation may be received. EQIS will provide up to five basis points (.05%) of the Program Fee paid by the Client as an incentive to the Client's Introducing Firm for the purpose of marketing and servicing new and existing Clients. In order to participate in this incentive program, the FP needs to maintain and achieve certain asset levels in the Program. The level of incentive increases based on total assets brought to the firm. This incentive creates a conflict of interest for the FP and Introducing Firm to recommend participation in the Program over participation in other programs for which similar compensation is not received.

Some FPs and/or Introducing Firms may own an equity interest in EQIS Holding, Inc., the parent company of EQIS. This creates a conflict of interest for the Introducing Firm and/or FP. This equity interest does not impact the level of fees that Clients pay and Clients are under no obligation to follow the recommendations of their FP regarding using the



Program. Clients should review their FP's firm Brochure and the FP's ADV 2B for any conflicts which may arise as a result of participating in the Program and/or Platform.

### Soft Dollars

EQIS does not currently use soft dollars. Nevertheless, EQIS may receive research reports or other non-monetary benefits from the Account Custodian. The receipt of such benefits is not related to any commitment for transaction volume in exchange for any services or products, but does create a conflict of interest of which Clients should be aware of in assessing EQIS' brokerage recommendation.

### Financial Information:

EQIS makes substantial investments in its technology and systems in accordance with practices in the FinTech business. The Firm is financed through growth capital and bank debt. EQIS manages its revenues and expenses, but is not required to maintain minimum capital in the manner of a broker-dealer. Due to its FinTech business and financing model, EQIS may be viewed as thinly capitalized. Currently, EQIS does not believe our financial condition would be reasonably likely to impair our ability to meet our contractual obligation to Clients.

EQIS has not been the subject of a bankruptcy petition at any time during the past ten years. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per Client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

### Privacy Policy:

EQIS maintains high standards to safeguard Client's personal information. We will remain vigilant and professional in protecting that information and in using it in a fair and lawful manner. As part of this commitment to fulfilling your trust we have formulated this Privacy Policy.

### Safeguarding Customer Information and Documents:

To conduct regular business, we collect nonpublic customer data in checklists, forms, in written notations, and in documentation provided to us by our customers. We will maintain physical, electronic and procedural safeguards that meet federal and/or state standards



to guard your nonpublic personal information. Employees' failure to observe procedures regarding customer and consumer privacy could result in discipline, including, as appropriate, termination.

Sharing Nonpublic Personal and Financial Information:

EQIS does not disclose any nonpublic personal information about its customers or former customers to third parties, except as permitted by law or otherwise disclosed herein. EQIS is committed to the privacy and protection of its customers' personal and financial information and will not share any such information with a third party except, as appropriate:

- When necessary to complete transactions in a Client Account.
- When required to service and/or maintain your Account.
- In order to resolve a customer dispute or inquiry.
- When acting in a fiduciary or representative capacity as authorized by the customer.
- With consultants assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm.
- To prevent or protect against actual or potential fraud, identity theft, unauthorized transactions, claims or other liability.
- To comply with all federal, state or local laws, rules, statutes and other applicable legal requirements.
- In connection with a written agreement to provide advisory services or investment management when the information is released solely for the purpose of providing products or services covered by the Program.
- Upon the customer's specific instruction, consent or request.
- Pursuant to any other exceptions enumerated in the California Information Privacy Act.

When we share nonpublic information with any third party for the reasons stated above, we make certain that there are written restrictions in place regarding the use and/or disclosure of such information.

**Part 2B of Form ADV: *Brochure Supplement*****Kenneth Andrew Kim**

1000 4th St., Ste 650  
San Rafael, CA 94901

Telephone: 800.949.9936

Effective Date: 7/14/2017

This brochure supplement provides information about Kenneth A. Kim that supplements the EQIS Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact EQIS Support at 800.949.9936 or 1000 4<sup>th</sup> Street, Suite 650, San Rafael, CA 94901 if you did not receive EQIS Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Kenneth A. Kim is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 Educational Background and Business Experience.**

**Full Legal Name:** Kenneth Andrew Kim      **Born:** 04/02/1968

**Education**

- University of Rhode Island; PhD, Finance; 1997
- University of Detroit; MBAS; 1992
- University of Michigan; BA, Economics; 1990

**Business Experience**

- EQIS Capital Management, Inc.; Chief Financial Strategist; from 04/01 to present
- University of Buffalo; Professor; from 09/2002 to Present

**Item 3 Disciplinary Information**

None.

**Item 4 Other Business Activities.**

- Investment-Related Activities
- Not Applicable
- Non-Investment-Related Activities
- Finance Professor at University of Buffalo

**Item 5 Additional Compensation.**

Mr. Kim does not receive any additional compensation for the providing of advisory services.

**Item 6 Supervision.**

Mr. Kim, in his role as Chief Financial Strategist, is responsible for providing investment advice to clients. Susan Woodard, Chief Compliance Officer, is responsible for EQIS's overall compliance program, including implementation of EQIS's Compliance Manual and Code of Ethics. Kenneth Kim is subject to and has acknowledged receipt and understanding of the provisions of EQIS's Compliance Manual and Code of Ethics. Susan Woodard monitors adherence to the Firm's compliance program through periodic testing and documentation and is available to discuss compliance-related issues. Susan Woodard can be reached at (800) 949-9936 or by email at [susan.woodard@eqis.com](mailto:susan.woodard@eqis.com).

**Part 2B of Form ADV: *Brochure Supplement***

**Jonathan Shiffer**  
1000 4th St., Ste 650  
San Rafael, CA 94901

Telephone: 800.949.9936  
Effective Date: 1/23/2018

This brochure supplement provides information about Jonathan Shiffer that supplements the EQIS Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact EQIS Support at 800.949.9936 or 1000 4<sup>th</sup> Street, Suite 650, San Rafael, CA 94901 if you did not receive EQIS Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Jonathan Shiffer is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 Educational Background and Business Experience**

**Full Legal Name:** Jonathan Shiffer      **Born:** 10/15/1975

**Education**

- BA Business University of Texas at Dallas
- Masters in Business Administration, University of Texas at Dallas

**Business Experience**

- Chief Investment Officer EQIS Capital, San Rafael, CA – April 2018 - Present
- Head of Portfolio Management and Director of Research, EQIS Capital, San Rafael, CA - January 2018 – April 2018
- Chief Investment Officer, Journey Capital Advisers, Dallas, TX - April 2016 - Present
- Head of Portfolio Management and Portfolio Manager, Curian Capital, Denver, CO - November 2012 - April 2016
- Chief Investment Officer, Rushmore Investment Advisors, Dallas, TX - August 2000 - November 2012
- Investment Banker, Evern Securities, Dallas, TX January 1998 - August 2000

**Item 3 Disciplinary Information**

None.

**Item 4 Other Business Activities****Investment-Related Activities**

- Mr. Shiffer conducts advisory services through Journey Capital Advisers, LLC, (“Journey”) a Texas registered RIA. Journey and EQIS are not affiliated. Any services offered through Journey are separate and apart from services offered by or through EQIS and are subject to separate agreements and disclosures. See Journey’s ADV brochure and Mr. Shiffer’s ADV 2B supplement for services offered by and through Journey.

**Non-Investment-Related Activities**

- Real estate property management outside of trading hours.

**Item 5 Additional Compensation**

- Mr. Shiffer may receive additional compensation from other business activities however such activities are not related to the activities engaged by or through EQIS as such do not pose a conflict of interest.
- Mr. Shiffer does not receive any additional compensation for the providing of advisory services.

**Item 6 Supervision**

Mr. Shiffer, in his role as Chief Investment Officer, is responsible for providing investment advice to clients. Susan Woodard, Chief Compliance Officer, is responsible for EQIS’s overall compliance program, including implementation of EQIS’s Compliance Manual and Code of Ethics. Jonathan Shiffer is subject to and has acknowledged receipt and understanding of the provisions of EQIS’s Compliance Manual and Code of Ethics Susan Woodard monitors adherence to the Firm’s compliance program through periodic testing and documentation and is available to discuss compliance-related issues. Susan Woodard can be reached at (800) 949-9936 or by email at [susan.woodard@eqis.com](mailto:susan.woodard@eqis.com).