

# Equitius Service Brochure

Kenji Ejima — Chief Compliance Officer of Equitius LLC

12/27/2011

## Item 1: Cover Page

### General Information

- Name of company: Equitius LLC
- URL: <http://equitius.com>
- Business address:  
P.O. Box 2072  
Castro Valley, CA 94546
- Contact Information:  
e-mail: [contactus@equitius.com](mailto:contactus@equitius.com)  
web: [https://equitius.com/contact/contact\\_us.html](https://equitius.com/contact/contact_us.html)

### Introduction

This brochure is designed to help an individual investor make a decision based on disclosed information. We strongly recommend that the investor takes time and reads this document before making their decision.

This brochure also provides information about the qualifications and business practices of Equitius LLC. If you have any questions about the contents of this brochure, please contact us at [contactus@equitius.com](mailto:contactus@equitius.com) or from [https://equitius.com/contact/contact\\_us.html](https://equitius.com/contact/contact_us.html). 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 Equitius LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

- 12/27/2011, Removed contents related to strategists selling strategies on [equitius.com](http://equitius.com). Equitius LLC has changed the business model so that strategists are not allowed to sell strategies unless they are registered with the SEC, due to regulation purposes. The sections that have been changed are:
  - Item 4: Removed the “Let Equitius Sell Your Strategy” subsection
  - Item 5: Removed the content regarding the fee that the strategists receives
  - Item 8: Removed strategists from the persons that can sell strategies
  - Item 8: Removed the content related to strategists from the 10th bullet point in Limitations and Disadvantages. (The item starting with “The formula of the strategy”)
  - Item 11: Removed the content related to strategists.
  - Item 14: Removed the content related to strategists.
- 12/27/2011, Changed “One month” to “At least 30 days” for accuracy.

- 12/27/2011, Changed URLs due to the equitius.com website modification.
- 12/27/2011, Updated the explanation of Item 8, Description of Strategies, (f) Ticker Symbol Set to make the content easier to understand.
- 12/27/2011, Added Item 8, Back-test Assumptions (m), to explicitly mention that Equitius LLC did not exist from the back-test starting date.

## Item 3: Table of Contents

<b>Item 1: Cover Page</b>	<b>1</b>
General Information . . . . .	1
Introduction . . . . .	1
<b>Item 2: Material Changes</b>	<b>1</b>
<b>Item 3: Table of Contents</b>	<b>3</b>
<b>Item 4: Advisory Business</b>	<b>4</b>
Setup Your Own Strategy . . . . .	4
Buy Strategies . . . . .	4
<b>Item 5: Fees and Compensation</b>	<b>4</b>
<b>Item 6: Performance-Based Fees and Side-By-Side Management</b>	<b>4</b>
<b>Item 7: Types of Clients</b>	<b>5</b>
<b>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>5</b>
Description of Strategies . . . . .	5
Detailed Information Regarding Strategies . . . . .	5
Back-test Assumptions . . . . .	6
Limitations and Disadvantages . . . . .	8
<b>Item 9: Disciplinary Information</b>	<b>9</b>
<b>Item 10: Other Financial Industry Activities and Affiliations</b>	<b>9</b>
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>9</b>
<b>Item 12: Brokerage Practices</b>	<b>9</b>
<b>Item 13: Review of Accounts</b>	<b>9</b>
<b>Item 14: Client Referrals and Other Compensation</b>	<b>9</b>
<b>Item 15: Custody</b>	<b>9</b>
<b>Item 16: Investment Discretion</b>	<b>9</b>
<b>Item 17: Voting Client Securities</b>	<b>9</b>
<b>Item 18: Financial Information</b>	<b>9</b>
<b>Item A: Privacy Policy</b>	<b>9</b>
Categories of Non-Public Personal Information Collected . . . . .	9
Disclosure of Non-Public Information . . . . .	10
Description of Policies and Practices of equitius.com	10

## Item 4: Advisory Business

Equitius LLC is a limited liability company that has been formed in April 2011. The principal owner is Kenji Ejima, the founder of Equitius LLC, and he has the 100% ownership of the company.

Equitius is an online web service at <http://equitius.com> which is designed to assist individual investors that invest in equity stocks in the US. Users can buy or setup technical stock trading strategies that have been back-tested.

A strategy is a set of technical stock analyzing indicators. Strategies provide buy, sell, or hold signals after every operating day. Strategies will be calculated against companies in a certain index, for example, the S&P 500. Strategies will calculate the number of shares to buy or sell, regarding the specified diversification number and the investment budget.

Users, that are individual investors, can see the signals and consider their investment decision. Since strategies are based on fixed and quantitative conditions, they may help reduce emotional influence on the investment decision. Moreover, using strategies may significantly reduce the time that the investor needs to spend for the screening process <sup>1</sup> since signals are automatically calculated for a large number of ticker symbols <sup>2</sup>, after every operating day.

### Setup Your Own Strategy

Users can setup strategies and run back-tests. Back-testing is a method of evaluation assuming that the strategy has been known in the past, for example from the beginning of year 2000, and runs a hypothetical simulation against the data of the stock market since then. The result shows how the strategy performed in the past.

Users can choose and customize pre-defined buy/sell triggers and select risk control parameters by a user interface through the browser. Users do not need programming knowledge to set up strategies.

Users that have sufficient knowledge can setup their own strategy and use it on [equitius.com](http://equitius.com) for free.

### Buy Strategies

Users can buy strategies on [equitius.com](http://equitius.com). There is a strategy map on [equitius.com](http://equitius.com) for users to find strategies based on their risk tolerance and the price. After purchasing a strategy, the user will receive buy/sell/hold signals based on the strategy. The signals will be calculated and provided on [equitius.com](http://equitius.com). For example, signals are like: “Buy MSFT (Microsoft Corp.), 200 shares” or “Sell XOM (Exxon Mobil Corp.), 270 shares”. The set of ticker symbols that the strategy uses will be shown on each strategy’s explanation

<sup>1</sup>A process to create a list of financial instruments that are candidates of investment.

<sup>2</sup>A symbol that describes a company on the stock exchange.

page. Equitius does not impose restrictions on investing in certain securities or types of securities.

Each strategy has its own price and is shown on the strategies explanation page. After purchasing the strategy, the user will receive signals for one month. The user can keep using the strategy by paying monthly. Equitius does not participate in wrap fee programs. Equitius does not manage users assets. Users may use the signals to assist their own investment decision and place orders to their broker on their own.

## Item 5: Fees and Compensation

The price of a strategy will differ for each strategy. Users will see the price and detail information on the strategy explanation page in [equitius.com](http://equitius.com). Payment will be managed by PayPal. The price of any strategy will not exceed \$250 per month. Users may not purchase strategies for more than total \$500 per month. Fees are not negotiable.

Equitius is a prepaid service. After a user purchases a strategy, the user will be able to access the signals based on the purchased strategy for at least 30 days including the day of purchase. When the limit expires, the user will no longer have access to the signals. Users can renew the strategy and extend the expiration date by purchasing the strategy again. Equitius does not automatically charge the user and extend the expiration date. Since Equitius does not manage users asset, Equitius will not deduct any fee from any account.

There are no other types of fees in Equitius. Equitius does not place orders to brokers. The user may place orders to their broker on their own.

Users may request for refunds through the “Contact Us” page on [equitius.com](http://equitius.com). The refund will be calculated on a per diem basis. For example, if the user purchased a strategy that costs \$31.00 per month and requested a refund after 10 days, Equitius will return \$21.00 to the user. The refund will be made only through PayPal and the user must pay the PayPal transaction fee for the refund.

Equitius and its supervised persons do not accept any other type of investment related compensation.

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

Equitius does not provide any service based on capital gain or capital appreciation of the assets of users. Equitius only provides signals based on strategies. Equitius does not manage users’ accounts.

## Item 7: Types of Clients

The service of Equitius is only available to individuals. Other legal entities such as funds or investment companies cannot use Equitius.

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

### Description of Strategies

- All strategies on Equitius are based on technical stock analysis methods. Strategies may be considered as a short term investment with a view towards capital appreciation. Strategies will provide buy/sell/hold signals.
- Strategies that are sold have been set up by Equitius LLC, and will be sold only through equitius.com.
- Users can purchase the right to view the signals provided by a strategy for at least 30 days. The expiration date can be extended.
- After purchasing a strategy, users will receive buy/sell/hold signals by the signal calculator on equitius.com. The usage of the signal calculator may be understood by seeing the sample signal calculator <sup>3</sup> page.
- Users may use the signals as a reference to assist their investment, but should not follow them without consideration. Users must be responsible for their own investment decision.
- Each strategy will show a chart of the hypothetical simulations return. A list of completed signals that was in the chart will be provided for each strategy.
- It should not be assumed that signals provided in the future will be profitable or will equal the performance of the stocks in the performance chart or the signal list file.
- The material data that was used to compile the performance chart can be seen in an action record file, which contains the hypothetical signals that were calculated in the back-test. Action record files are designed for Microsoft Excel. The specification of action record files are explained in the action record specifications page <sup>4</sup>.

<sup>3</sup>[http://equitius.com/strategy/sample\\_signal-page.html](http://equitius.com/strategy/sample_signal-page.html)

<sup>4</sup>[http://equitius.com/article/by\\_name/s4\\_action\\_record.html](http://equitius.com/article/by_name/s4_action_record.html)

## Detailed Information Regarding Strategies

When a strategy is set up, the following items are specified:

### (a) One or more buy triggers and the combination method

This information will be used to calculate buy signals. A buy trigger is a technical indicator that has been pre-defined by Equitius LLC. Most triggers will take one or more parameters. When all buy triggers occur and the combination method is "all triggers required for buy signal to occur", a buy signal will occur. When one or more buy triggers occur and the combination method is "one trigger required for buy signals to occur", then a buy signal will occur.

For example, assume there are two specified triggers and the combination method is "all triggers required for buy signal to occur". The first trigger is "Volume Change Above" with parameters begin long: 20, short: 5, and threshold: 50. This is a trigger that occurs when the 5 day average volume is 50% larger than the 20 day average volume. The second trigger is "Donchian Breakout Above" and the parameter length is 40. This is a trigger that occurs when the closing price is higher than the highest closing price of the trailing 40 days. Since the combination method is "all triggers required for buy signal to occur", when both triggers occur together, a buy signal will occur.

When multiple buy signals occur on the same day, the triggers will be prioritized by the first trigger that occurred. For the example above, assume there are two ticker symbols that had buy signal occurrence. The simulator will assume that the ticker symbol with the higher volume increase will be bought prior to the other ticker symbol.

All triggers, their parameters, and their priority calculation formulae, are pre-defined and explained in equitius.com.

### (b) One or more sell triggers and the combination method

This information will be used to calculate sell signals. A sell trigger is a technical indicator that has been pre-defined by Equitius. Most triggers will take one or more parameters. When all sell triggers occur and the combination method is "all triggers required for sell signal to occur", a sell signal will occur. When one or more sell triggers occur and the combination method is "one trigger required for sell signals to occur", then a sell signal will occur. Sell signals do not have priority.

All triggers and their parameters are pre-defined and explained in equitius.com.

**(c) A diversification number**

This information will be used to calculate the maximum number of ticker symbols that can be held, and the number of shares for each buy signal.

For example, assume the diversification number is 20, the investment budget is \$30,000, and 4 buy signals occur on the same day. Since the diversification number is 20, the simulator will calculate the number of shares so that the maximum amount for each buy signal is 5% of the budget, which is \$1,500. The next day, the total value of the asset including the cash and stocks being held became \$30,400, and 18 buy signals occurred on that day. Since the diversification number is 20 and 4 ticker symbols are already being held, the simulator will only consider 16 more buy signals. The two buy signals that had low priority will be ignored. For the 16 buy signals, the simulator will calculate the number of shares so that the maximum amount for each buy signal is 5% of the budget, which is \$1,520.

The number of shares for each signal will consider the fee for the broker and Equitius. The broker fee will be assumed to be \$11, which is slightly higher than an actual broker, TD Ameritrade<sup>TM</sup>, to avoid exaggeration. The broker fee is included in the back-test calculation but Equitius will not have any actual relationship with brokers.

**(d) Investment Asset Percentage**

This information will be used to calculate the number of shares for each buy signal, so that the simulator will try not to purchase more than the given investment asset percentage.

For example, if the investment asset percentage is 50%, then the simulator will try not put more than 50% of the asset into stocks and leave the remainder in cash.

However, this is not a strict restriction and sometimes the asset being invested may slightly exceed the specified percentage due to price fluctuations in the positions being held. For example, consider the following situation: the investment asset percentage is set at 50 percent, the investment budget is \$30,000, the total value of stocks being held is \$13,000, one buy signal for a ticker symbol XYZ occurs, the closing price of XYZ is \$50, and the price of the strategy is \$20 per month. In this situation, since the investment asset percentage is 50 percent, the simulator will try to keep the total value of stocks to be lower than \$15,000. Therefore, the total value of XYZ shares should be under \$2000 and the calculated number of shares will be 39. The reason why this is not 40 shares, is because the \$11 broker fee is considered twice and the \$20 strategy fee is considered to be saved in cash. The next day, the opening price

of XYZ becomes \$55. Since the simulator assumes that buy signals will be settled at the next day's opening price, the total value of XYZ will be \$2145 ( $\$55 \times 39 = \$2145$ ). Therefore, the total value of stocks becomes  $\$13,000 + \$2,145 = \$15,145$  and goes above 50%, but the simulator will accept this.

**(e) Pyramiding Restriction**

This is a restriction that is used to prevent buy signals for one company from occurring too often and thus adversely affecting portfolio diversification.

For example, assume that we set the pyramiding restriction at 5, and a buy signal for a ticker symbol XYZ occurs, and shares of XYZ are purchased the next day. Because of this restriction, for at least 5 days, buy signals for XYZ will not occur after the initial purchase of XYZ shares. Without this restriction, there is a possibility that user will continue to buy shares of XYZ, the stocks in the user's account will be under diversified and the user's portfolio will be subject to greater risk due to this lack of diversification.

**(f) Ticker Symbol Set**

This information is used to specify the ticker symbols that will be considered in the calculation. Typical ticker symbol sets are indices. For example, when "S&P 500" is selected as the ticker symbol set, the companies in the S&P 500 will be considered in the simulation and the signal calculation.

Ticker symbols in indices are not fixed and may change from time to time. For example, the components of S&P 500 on 01/01/2000 and 12/31/2010 are not the same.

However, the components that are used in a strategy will be fixed to those of the date when the strategy was set up. For example, if S&P 500 was used as the ticker symbol set and the strategy was set up on 8/1/2010, then the companies in the S&P 500 on 8/1/2010 will be used in the entire back-test starting from 1/1/2000. Since the ticker symbol set components are fixed, the strategy will not follow the ticker symbol update made by S&P, and keep using the same ticker symbols. This is to maintain consistency on the signals being provided. It must be understood that the ticker symbol set is used to declare the companies for the strategy to consider in the signal calculation.

The list of ticker symbols being used for each strategy will be provided on the strategy page.

**Back-test Assumptions**

Strategies and their performance graphs are based on a hypothetical simulation using the data in the past. This is

called a back-test. A back-test is based on the following assumptions.

- (a) The fee of equitius.com and the broker is included in the back-test calculation. The fee is assumed to be \$11.00 per trade. This fee is slightly higher than the advertised rate of one brokerage firm, TD Ameritrade<sup>TM</sup>, for online trades, but may be lower than what other firms charge.
- (b) Dividends are not considered in the back-test. An investor will receive dividends when they are actually booked on the record date of the dividend payment process.<sup>5</sup> However, the back-test does not consider dividends and assumes that it was not received. This is to avoid exaggeration since the aim of a technical trading strategy should be capital appreciation, not dividends.
- (c) The simulation assumes that the stocks have been bought at the opening price of the following operating day from the buy signal, if the following day had a volume larger than zero.
- (d) The simulation assumes that the stocks have been sold at the opening price of the following operating day from the sell signal, if the following day had a volume larger than zero. If the following day did not have any volume then the stocks will not be sold, and the sell signal will be provided again until the stocks are sold.
- (e) The simulation assumes that the orders made by the user did not have any influence on the market. (i.e., If you buy or sell a security on the real exchange, there may be an influence on the stock market from your order. The simulation assumes that there was no influence by the order.)
- (f) The number of shares will be calculated by diversifying the total valuation of the stocks held and cash. Each strategy will have a diversification number. For example, let the diversification number be 10, the closing price of the considered stocks be \$15.00, the total valuation of held stocks and cash be \$20,000, and the price of the strategy be \$20 per month. The budget for one buy signal will be  $\$20,000 / 10 = \$2,000$ . Subtracting the \$11 broker fee twice and the strategy price will be \$1,958. Dividing this by the closing price \$15.00 will be 130.53. Therefore, the number of shares for the considered stocks will be 130. If the cash was less than \$2,000 then the cash divided by the diversification number 10 will be used as the budget for one buy signal respectively.
- (g) The set of companies that will be considered in the signal calculation is fixed and may be viewed from the list of considered ticker symbols page for each strategy. This does not include companies that have been delisted. The set of companies that will be considered will be the components of an index when the strategy has been set up.
- (h) The back-test assumes that the conditions and triggers of the strategy have not been changed. The strategy will keep using the same conditions and triggers.
- (i) The back-test does not consider income tax, since the tax bracket depends on the investor's total income and deductions.
- (j) All strategies will start from the first operating day of year 2000. Signals will start to occur after there are enough days to calculate. For example, to calculate a 40 day moving average, there should be at least 40 days prior from the day that the simulation is calculating against. Therefore, there will be no signals for January 2000 since signals will not occur for the first 39 operating days in the simulation.
- (k) Since the strategy calculates the number of shares to purchase on the day before the actual purchase, there is a possibility that the amount of cash in the brokerage account will go under zero and become negative. When this happens in the back-test, the back-test considers interest on the negative cash. The considered interest rate is 10% per year, and this will be converted to daily interest. For example, assume there is \$2000.00 in cash in the back-test, and there is a buy signal for the ticker symbol XYZ. The closing price is 5.00 and the number of shares for the buy signal is 391. The next day's opening price of XYZ is 6.00. Therefore, the remaining cash becomes  $\$2000 - \$6.00 \times 391 - \$11 = \$-357$ . Since 10% interest per year is approximately 0.026% per day, the daily interest on this negative cash will be  $\$357 \times 0.00026 = \$0.093$ . The simulator assumes that the broker takes \$0.10 by rounding up the interest, and the remaining cash becomes  $\$-357.10$ .
- (l) The assumed usage of the strategy is the following. After the market closes on a certain day, the signal calculator calculates the signals and provides it to the user. The user sees the signals at night or in the morning next day before the market opens. The user considers the signals and decides to follow them or not. If the user decides to follow it, the user places the order on his/her broker. Then the user inputs the number of shares to the signal calculator that he/she ordered. Then, the market opens and the order will be placed on the market through the broker.
- (m) Although the back-test is calculated from 1/1/2000, neither Equitius LLC nor the strategy exist from then.

<sup>5</sup>[http://equitius.com/article/by\\_name/dividend\\_process.html](http://equitius.com/article/by_name/dividend_process.html)

The back-test is a hypothetical simulation that uses the data in the past.

## Limitations and Disadvantages

There are limitations and disadvantages that must be considered carefully. Only users that can accept all of the following conditions may use strategies on Equitius. The following explains the limitations and disadvantages of using a strategy on Equitius.

- There is a possibility of loss by using a strategy.
- There is no guarantee that the actual performance using a strategy will be profitable, equal or similar to the back-test results.
- The asset growth in the performance graph is based on a hypothetical simulation and does not relate to an actual account. The buy/sell signals have not been actually provided during the back-test period.
- The risk indicators "decile drawdown" and "maximum drawdown" must be considered carefully. The decile drawdown describes the 10th percentile <sup>6</sup> of all drawdowns. The user should consider that this drawdown will occur with a very high possibility. The maximum drawdown is the largest drawdown during the back-test. The actual maximum drawdown in the future may be higher than this, not only due to the market conditions but also due to the fact that bankruptcy of the invested companies has not been considered in the back-test.
- Due to assumption (g), the simulation assumes that it has avoided holding on to stocks of companies that went bankrupt or delisted. This does not mean that it will be able to avoid bankruptcy or delisting in the future. This may have significant influence on the user's asset.
- Due to assumption (g), the hypothetical simulation is assuming that it knew the companies in the S&P 500 in the future. For example, let there be a strategy that was set up on 2010/8/1 and S&P 500 was selected as the ticker symbol set. Although the back-test starts from 2000/1/1, the companies in the S&P 500 on 8/1/2010 will be considered. This means that the back-test is assuming that it knew the companies that will be in the S&P 500 on 8/1/2010, from the first day of the simulation. Therefore, the actual performance by using the strategy must not be considered to be equal to or similar to the back-test result. It must be understood that the ticker symbol set is used to declare the companies for the strategy to consider in the signal calculation.
- Due to the assumption (d), the actual performance may have been different compared to the back-test result, even if the strategy existed from the back-test starting date. Depending on the number of shares in a trade, the user's orders may influence to the market price of a security. However, the back-test assumes in (d) that there was no influence by the user's order.
- Assumption (d) may cause significant variance in actual results when the user is investing a large amount of asset. If the user places a buy/sell order with a large number of shares, the actual settlement price may not be close to the opening price. There also is a possibility that the order will not be completed in one day.
- Due to assumption (l), the user must understand that there is an execution risk if the user cannot be online at a sufficient time every day. For example, when the user cannot be online for a few days, there may be an unexpected risk of loss since the user cannot see the signals.
- The formula of the strategy is not provided to the user. This is to prevent the strategy being copied and used for free. Users that need to know the formula of the strategy that they are using, may create a strategy by themselves using the strategy simulator <sup>7</sup>.
- Although the signals will be calculated on every market operating day, the number and frequency of the signals provided by each strategy may vary. Therefore, there is a possibility that the strategy does not provide buy signals for days or months even though the user keeps paying for the access to the signals. The indicators such as the "average trades per day", "average holding period" and the "average load" may be used as a reference. However, the number of signals may not be in a uniform distribution. (e.g. If there is 1 signal everyday, the average signal per day will be 1. If there are 10 signals on one day and none for the following nine days, the average signals per day will be 1 as well.)
- The signals will be calculated before the opening time of the next stock exchange operating day. The signal calculation may not be done at a convenient time for the user, such as time before going to bed. In that case, the user will need to access Equitius in the morning before the market opens. This may become a significant limitation for users that cannot access to equitius.com at a time that is convenient for them.
- There are plural strategies on Equitius and the signals for each strategy will be calculated in the order that the

<sup>6</sup>Consider a list of all drawdowns in the simulation sorted in descending order and assume there are 850 numbers in this list. The first drawdown in the list will be the maximum drawdown. The 85th drawdown is the decile drawdown.

<sup>7</sup><http://equitius.com/strategy/setup.html>



strategy has been created. If one strategy has been created before another, its signals will be calculated before as well.

- To obtain the signals, the user will need to use the signal calculator. The sample signal calculator page<sup>8</sup> demonstrates how to use the signal calculator.
- The strategy does not use a specific set of securities as a portfolio. Therefore, the current portfolio of the strategy may not relate with the portfolio of a certain period in the back-test.
- Only natural persons can use equitius.com. Companies, trusts or other legal entities can not use equitius.com. Investment advisers, investment companies cannot use equitius.com.

## Item 9: Disciplinary Information

No legal or disciplinary event that is required to be disclosed has happened.

## Item 10: Other Financial Industry Activities and Affiliations

Equitius and all management persons are not broker-dealers and do not operate other financial industry activities. Equitius does not have any business relationships with other investment advisers.

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

Equitius has a code of ethics which is designed to ensure that Equitius at all times conducts its business in a lawful and ethical manner and to prevent any violations of any laws, rules or regulations. The link to the code of ethics<sup>9</sup> can be found at the bottom of any page on equitius.com.

All managers, employees, independent contractors and associated persons of Equitius are permitted to use Equitius only at the same level with users and they may obtain no other advantage over these users.

Since the signals will be provided to all users at the same time and the signals will be calculated after the market closes, there is no timing conflict between the users and the related persons.

<sup>8</sup>[http://equitius.com/strategy/sample\\_signal\\_page.html](http://equitius.com/strategy/sample_signal_page.html)

<sup>9</sup>[http://equitius.com/compliance/public/code\\_of\\_ethics.pdf](http://equitius.com/compliance/public/code_of_ethics.pdf)

## Item 12: Brokerage Practices

Equitius does not recommend or select any broker-dealer. Equitius has no business relationship with any broker-dealer.

Strategies will only show a list of buy/sell/hold signals to the user. The user can consider the signals as a reference to assist their investment, and place orders to their broker on their own.

## Item 13: Review of Accounts

Equitius does not manage or access users' securities accounts.

## Item 14: Client Referrals and Other Compensation

All advertisement that are made by Equitius will be checked by the CCO.

## Item 15: Custody

Equitius does not have custody of users' securities or other investments.

## Item 16: Investment Discretion

Equitius does not manage users' securities or other investments.

## Item 17: Voting Client Securities

Equitius does not manage users' securities or other investments and therefore does not vote clients securities.

## Item 18: Financial Information

N/A.

## Item A: Privacy Policy

This section discloses the privacy policy of equitius.com.

## Categories of Non-Public Personal Information Collected

The categories of non-public personal information equitius.com collects are:

- (a) e-mails that are sent to equitius.com.
- (b) The general internet access information sent through the users browser which includes the accessed page URL, IP address, operating system type, browser type and the referral URL of each access.
- (c) The keywords used in the "search strategy" or "search explanation article" forms.
- (d) The subject and message that is sent to equitius.com through the "contact us" page.
- (e) The e-mail addresses of users.
- (f) The users password for equitius.com. equitius.com saves the hashed password instead of the raw password.
- (g) The answer to the users secret question, which is asked in the account creation page.
- (h) The condition of the strategies that the user sets up and saves.
- (i) The list of strategies that are being used or have been used by the user. (i.e., strategies in the my strategy page)
- (j) The amount of fee paid by the user and the payment date.
- (k) The number of shares, ticker symbol, date of purchase and action of securities saved by the users in the signal calculator.
- (l) The users budget amount that has been inputted by the user in the signal calculator.

(a) to (c) are collected from anonymous users and users that have an equitius.com account. (d) to (j) are collected from users that have an equitius.com account.

## Disclosure of Non-Public Information

Regarding the categories of non-public personal information explained above, the parties that can receive the information and how the information is managed is:

- For (a), e-mails sent to equitius.com may be disclosed depending on the content when equitius.com believes there is a reasonable purpose to be served by such disclosure. For example, when equitius.com needs advice from a lawyer, tax accountant or other advisers that can be responsible on the users privacy.
- For (b), the internet access information will be sent to google analytics in order to obtain access to statistics of equitius.com. If the user does not want their information sent to google analytics, then the user can use the google analytics opt out.
- For (b), internet access information will be sent to third party marketers when equitius.com places third party advertisements on it's website. (i.e., when the user accesses an equitius.com page that has an external advertisement, the users access information will be sent to the advertisement company since the browser accesses and displays the advertisement.)
- For (d), same with (a).
- For (e), the users e-mail address will be used in PayPal when equitius.com will make payments to the user. This will happen when the user is a strategist that set up a strategy and the strategy is being sold by Equitius.
- For (j), the fee information will be disclosed to the SEC and it's investigators for regulation purposes and to the IRS and tax accountants for tax calculation purposes.
- For (k), the number of shares, ticker symbol, date of purchase and action of securities saved by the users will be disclosed to the SEC and it's investigators for regulation purposes. This information may also be disclosed for presentations or other marketing purposes to the public. In this case, the information will be aggregated in statistics so each user will not be identifiable. <sup>10</sup>
- For (l), the users budget amount will be disclosed to the SEC and it's investigators for regulation purposes. This information may also be disclosed for presentations or other marketing purposes to the public. In this case, the information will be aggregated in statistics so each user will not be identifiable. <sup>10</sup>

## Description of Policies and Practices of equitius.com

- All user data will be initially stored on the equitius.com server which will be using the Amazon Elastic Compute Cloud. The physical security to protect the users privacy information may be considered to be equivalent with Amazon Web Service described in the AWS overview of Security Process.
- The software security on the web to protect the users privacy information from unauthorized access will be:
  - Information in (d), (e), (f), (g), (j) and (k) will be encrypted using ssl. (i.e. https protocol)
  - Information in (h), (i), (j) and (k) will be only accessible by users that are signed on and by equitius.com.

<sup>10</sup>i.e., information such as the average budget of equitius.com users or the total number of users may be disclosed. Information such as the actual budget of each user will not be disclosed.

- equitius.com will use google apps for their e-mail management. The security level for e-mails that are sent to equitius.com may be considered to be equivalent to the google apps e-mail service.
- Access to the equitius.com servers except the web access will be restricted to ssh (Secure Shell). Only equitius.com managers and employees can access the servers.
- Backups and copies of the data will be stored in the office of Equitius.