

**Item 1 - Cover Page**



**BBAE Advisors LLC**  
**2591 Dallas Parkway**  
**Suite 300**  
**Frisco, TX 75034**

**[WWW.BBAE.COM](http://WWW.BBAE.COM)**

**Form ADV Part 2A**  
**Client Brochure**

**August 2017**

This brochure ("Brochure") provides information about the qualifications and business practices of BBAE Advisors, LLC ("BBAE" or the "Firm"), a registered investment adviser (CRD# 269900).

If you have any questions about the contents of this Brochure, please contact us at 1-888-840-3137 or [service@bbae.com](mailto:service@bbae.com).

Additional information about BBAE Advisors LLC also is available on the United States Securities and Exchange Commission ("SEC")'s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

BBAE last updated Part 2A of Form ADV in March 2017 in connection with its annual updating requirement. This update to Part 2A of Form ADV is being filed subsequent to the annual update to:

- Provide additional details concerning the Firm's Asset Allocator Third Party Advisor program (including the filing of a separate wrap fee brochure in respect of such program); and
- Better describe the features and risks associated with BBAE's two wrap fee programs.

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## **Item 4 - Business**

### **A. Ownership of the Firm**

BBAE is a Delaware entity previously known as Jimustock Securities LLC that was formed in June 2015. The Firm underwent a name change in March 2016. The Firm did not change its tax identification number during the name change.

In March 2016, BBAE (formerly named Jimustock Securities LLC) changed its ownership structure.

BBAE is 100% directly owned by BBAE Holdings LLC. BBAE Holdings LLC is directly owned by BBAE Holdings, Ltd (formerly named Jimustock Holdings, Ltd.). BBAE Holdings, Ltd is thus an indirect owner of BBAE. BBAE Holdings, Ltd is 47.8% owned by Peng XiaoMei.

In 2016, the Firm relocated its headquarters from Charlotte, North Carolina to Dallas, Texas. Barry Freeman remains the Firm's President and Chief Executive Officer. Joseph Hahm is the Chief Compliance Officer.

### **B. Summary of BBAE's Services**

BBAE is an investment adviser registered with the SEC. BBAE is a robo-adviser and offers two investment programs: (1) discretionary portfolio management services through a wrap fee program, the BBAE Asset Allocator program (the "Allocator Program"); and (2) non-discretionary services through a wrap fee program, the BBAE Asset Allocation Third Party Advisor program (the "Allocation TPA Program" and, together with the Allocator Program, the "BBAE Programs"). The BBAE Programs are provided via BBAE's proprietary platform located at [www.BBAE.com](http://www.BBAE.com) (the "Website"). Additional information about BBAE's products and services is provided in the Firm's Form ADV Part 1 available at <http://www.adviserinfo.sec.gov>. The Firm encourages visiting the Website for additional information.

BBAE's clients ("Clients") consist of, in the case of the Allocator Program, individual (natural person) direct investors and, in the case of the Allocator TPA Program, independent third party SEC-registered investment advisers ("Third Party Advisors"). Such Third Party Advisors, in turn, act as investment advisers to individual (natural person) investors (the "TPA Users") investing through such Third Party Advisors in the Allocation TPA Program.

**BBAE Asset Allocator Program** – Through the Allocator Program, BBAE offers discretionary services to Clients by providing access to affordable, professional portfolio management. Each Client's customized portfolio is created to be in alignment with the Clients' acceptable risk parameters and financial objectives. BBAE will develop a customized investment program and guide the Client's investments by recommending:

- A customized portfolio of Exchange Traded Funds ("ETFs"); and/or
- A customized portfolio of publicly-traded equities ("Stocks").

The Allocator Program recommendations do not include margin (leverage) or options.

The Allocator Program is a proprietary program which will determine how much a Client should allocate to each investment type based upon BBAE's review of a Client's financial resources and risks. This is a **discretionary** asset allocation program, except as noted below.

In connection with their participation in the Allocator Program, Client's will also have the option of trading independently (the "Self-Direct Option") through BBAE's proprietary technology and access to BBAE's preferred brokerage firm, Apex Clearing Corporation ("Apex"). Apex is a non-affiliated, U.S. registered broker-dealer firm. Through such independent access, Clients can place trades in ETFs, mutual funds and single securities with a market value of greater than one dollar (\$1.00). **Each Client shall be solely responsible for all investment decisions** and reinvestment of those assets that comprise the Client's Self-Direct Option account. Self-Direct Option Clients are not subject to BBAE's management and or management fees with respect to their Self-Direct Option assets, but will be responsible for data fees, Apex's fees and other trading related fees and costs.

**BBAE Asset Allocation Third Party Advisor Program** – BBAE has developed the Allocation TPA Program for use by Third Party Advisors. The program is a proprietary automated investment management platform for use by Third Party Advisors to offer TPA Users a customized portfolio of ETFs or publicly-traded equities. In connection with the program, BBAE provides Third Party Advisors with technology and related trading and account management services.

BBAE will act as the limited agent of the Third Party Advisor solely for the purposes of implementing the Third Party Advisor's program:

- Reflecting the Third Party Advisor's configuration of the Allocation TPA Program on the client portal;
- Implementing a questionnaire for the Third Party Advisor to assist in suitability determinations;
- Operating the Allocation TPA Program to (a) implement the Third Party Advisor's selections, modifications and replacements of portfolios for the TPA User's accounts, and (b) perform the automatic rebalancing for the TPA User's accounts; and
- Carrying out the trade order management process via Apex.

In connection with their participation in the Allocation TPA Program, Third Party Advisors and/or TPA Users will also have the Self-Direct Option. Through the Self-Direct Option, TPA Users can place trades in ETFs, mutual funds and single securities with a market value of greater than one dollar (\$1.00). **TPA Users shall be solely responsible for all investment decisions** and reinvestment of those assets that comprise the Self-Direct Option assets. Self-Direct Option assets are not subject to BBAE's management and or management fees, but TPA Users will be responsible for data fees, Apex's fees and other trading related fees and costs.

## **C. Assets Under Management**

As disclosed in BBAE's Form ADV Part 1, BBAE has \$92,956,104 in Client regulatory assets under management (constituting all Client assets in the BBAE Programs) as of July 4, 2017. These assets consist of \$88,204,646 in Client regulatory assets under management on a discretionary basis as of July 4, 2017 and \$4,751,458 in Client regulatory assets under management on a non-discretionary basis as of July 4, 2017.

## **Item 5 - Fees and Compensation**

### **A. Fees**

#### **BBAE Asset Allocator Program Fees**

BBAE's annual management fee for the Allocator Program shall generally be a wrap fee of 200 bps (2%) of the market value of the assets in the Allocator Program account for residents of the United States that are not "qualified clients", as such term is defined in section 205-3(D)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, BBAE's annual management fee shall generally be a wrap fee of 100 bps (1%) of the market value of the assets in the Allocator Program account plus 1000 bps (10%) of the positive performance in such account for Clients who are non-U.S. residents and any U.S. resident Client who is a "qualified client" (as defined in Rule 205-3 of the Advisers Act). Currently, the definition of a "qualified client" includes a natural person who:

- immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser; or
- either: (i) has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 or (ii) is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into.

The annual management fee shall be prorated and paid monthly, in arrears, based upon the daily average market value of the assets. No increase in the annual fee shall be effective without prior written notification to the Client. Clients enrolled in Allocator Program accounts prior to April 1, 2017 shall be grandfathered in with their existing fee schedule. Client's total assets shall be based on the average daily asset total of the prior month. BBAE shall pro-rate the data usage fee for partial months.

Account minimums to participate in the Allocator Program are as follows:

- Minimum initial investment required is five-thousand dollars (\$5,000);
- Minimum legacy asset amount is five-thousand dollars (\$5,000); and
- Minimum additional investment amount once legacy amount is reached is two-thousand dollars (\$2,000).

BBAE reserves the right, in its sole discretion, to negotiate the fee for certain Client accounts for any period of time determined by BBAE. In addition, BBAE may reduce or waive its fees for the accounts of certain Clients without notice to, or fee adjustment for, other Clients.

Clients authorize Apex, the custodian of the Allocator Program accounts, to charge such accounts for the amount of BBAE's fee and to remit such fee electronically to BBAE.

**BBAE shall not receive any advisory or management fees** for providing access to the Self-Direct Option in connection with the Allocator Program. However, BBAE will charge Clients with total assets of less than one-thousand dollars (\$1,000) invested in the Self-Direct Option a monthly data usage fee of three dollars (\$3.00). Brokerage commissions, transaction fees, and other related costs and expenses are the responsibility of the Client in connection with the Self-Direct Option. If so charged by Apex or another broker-dealer executing transactions, Clients may incur certain charges imposed by custodians, brokers and other third parties in connection with the Self-Direct Option such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients will be responsible for all such other fees and expenses in connection with the Self-Direct Option, which fees and expenses are not included in the wrap fee for the Allocator Program.

#### BBAE Asset Allocation Third Party Advisor Program

Apex, as the preferred broker and custodian for the Allocation TPA Program, will first pay the wrap fee for the Allocation TPA Program which is generally deducted from TPA Users' accounts to the Third Party Advisor. The Third Party Advisor will then deduct a percentage of the wrap fee, or a percentage of the value of all assets in the TPA User's accounts and pay the remainder of the balance to BBAE. Fees and fee percentages are pursuant to agreements between TPA Users and their Third Party Advisors. The Third Party Advisor is paid on a pro-rata annualized basis monthly in arrears based on the value of Allocation TPA Program accounts on the last day of the previous month. With respect to TPA Users who are non-U.S. residents and any TPA User who is a "qualified client", wrap fees are generally based on either a percentage (generally in the range of 0.20% to 2.00% but may vary) of the market value of the assets in the Allocation TPA Program account or both a percentage (generally in the range of 0.20% to 1.00% but may vary) of the market value of the assets in the Allocation TPA Program account plus a percentage (generally in the range of 5%-20% but may vary) of the positive performance in such account. With respect to such TPA Users who are non-U.S. residents or who are "qualified clients", fees ultimately paid to BBAE are either a percentage (generally in the range of [0.20% to 1.00% but may vary]) of the market value of the assets in the Allocation TPA Program account or both a percentage (generally in the range of [0.20% to 0.80%] but may vary) of the market value of the assets in the Allocation TPA Program account plus a percentage (generally in the range of [5%-10%] but may vary) of the positive performance in such account. With respect to TPA Users who are U.S. residents and who are not "qualified clients", wrap fees are generally based on a percentage (generally in the range of 0.20% to 2.00% but may vary) of the market value of the assets in the Allocation TPA Program account. With respect to such TPA Users who are U.S. residents and who are

not “qualified clients”, fees paid to BBAE are generally in the range of 0.20% to 0.80% of the market value of the assets in the Allocation TPA Program account but may vary. As described above, the wrap fee is generally deducted from TPA Users’ accounts to the Third Party Advisor. However, agreements between a TPA User and its Third Party Advisor and/or Apex may authorize or require Apex to remit directly to BBAE its portion of the wrap fee for such TPA User. In such cases, the fees paid to BBAE are generally consistent with the fees described above.

TPA Users and Third Party Advisors will not generally have to pay any fees to BBAE in addition to the wrap fee.; provided, however, that Third Party Advisors are generally subject to a \$5,000 monthly minimum fee in the event fees paid from TPA Users investing through such Third Party Advisor do not exceed such monthly minimum. Third Party Advisors generally do not charge any fees to TPA Users in connection with the Allocation TPA Program in addition to the wrap fee.

**BBAE shall not receive any advisory or management fees** for providing access to the Self-Direct Option in connection with the Allocation TPA Program. However, BBAE will charge Allocation TPA Program accounts with total assets invested in the Self-Direct Option of less than one-thousand dollars (\$1,000) a monthly data usage fee of three dollars (\$3.00).] Brokerage commissions, transaction fees, and other related costs and expenses are the responsibility of the TPA User in connection with the Self-Direct Option. If so charged by Apex or another broker-dealer executing transactions, TPA Users may incur certain charges imposed by custodians, brokers and other third parties in connection with the Self-Direct Option such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. TPA Users will be responsible for all such other fees and expenses in connection with the Self-Direct Option, which fees and expenses are not included in the wrap fee for the Allocation TPA Program.

## **B. Other Account Fees**

The issuer of some of the securities or products purchased for Clients or TPA Users, such as ETFs or other similar financial products, may charge product fees that affect Clients or TPA Users. BBAE does not charge these fees to Clients or TPA Users, and does not benefit directly or indirectly from any such fees. An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client’s or a TPA User’s portfolio performance or an index benchmark comparison.

## **Item 6 - Performance-Based Fees and Side-by-Side Management**

As described in Item 5, BBAE may receive performance-based compensation for investment management services provided to Clients or TPA Users who are non-U.S. residents and any U.S. resident Client or TPA User who is a “qualified client”. Performance-based compensation represents an investment adviser’s compensation for managing an account which is based



upon a percentage of the net profits of the account being managed. Performance-based compensation creates certain inherent conflicts of interest with respect to BBAE's investment advice. Specifically, BBAE's entitlement to performance-based compensation in managing one or more accounts may create an incentive for BBAE to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation. As BBAE manages both accounts that are charged performance-based fees and accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account), BBAE's fee structure presents a potential conflict of interest in this respect. As a general matter, since performance-based fees reward an adviser for strong performance in accounts subject to such fees, an adviser may have an incentive to favor these accounts over those that have only asset-based fees (or lower performance based fees) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. To maintain fair and equitable treatment of all of its Clients' accounts (including Allocation TPA Program accounts), BBAE has implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. BBAE maintains and adheres to written guidelines on the allocation of investment opportunities which BBAE believes, along with other existing controls, provide an environment that fosters the fair and equitable treatment of all Clients.

#### **Item 7 - Types of Clients**

**BBAE Asset Allocator Program** The Allocator Program is available to individuals (which includes all natural persons). There presently is a five-thousand dollar (\$5,000) minimum required to open an investment account with the Allocator Program. At any time, a Client may terminate an account, or fully withdraw all of the assets in an account, or update their investment profile/questionnaire, which may initiate an adjustment in the accounts' holdings. In that case, BBAE may sell the securities in the Client's account at market prices at the time of the termination, withdrawal or update.

**BBAE Asset Allocation Third Party Advisor Program** BBAE's Asset Allocator program is intended for use by Third Party Advisors (and TPA Users) to offer such Third Party Advisors and TPA Users a customized portfolio of exchange traded funds or publicly-traded equities and access to the Self-Direct Option.

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

**BBAE Asset Allocator Program** The Allocator Program provides Clients with discretionary asset allocation based on Modern Portfolio Theory ("MPT"). MPT attempts to maximize a portfolio's expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by selecting the proportions of various asset classes rather than selecting individual securities.

The Allocator Program is a robo-adviser program. Accordingly, Clients should be aware that:

- an algorithm is used to manage individual Client accounts;

- the algorithm generates five recommended portfolios that are categorized based on the risk levels in the portfolios. Individual Client accounts are assigned to one of these five portfolios based upon the outcome of the investor questionnaire and are invested and rebalanced by the algorithm;
- the algorithm relies on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur;
- without rebalancing, the portfolio generated by the algorithm will not stay optimized over time;
- the algorithm used to manage Client accounts might rebalance Client accounts without regard to market conditions or on a more frequent basis than the Client might expect and the algorithm may not address prolonged changes in market conditions;
- BBAE might halt trading or take other temporary defensive measures in stressed market conditions;
- Xuanji Technology Limited (the “Algorithm Provider”), an independent third party, owns and manages the algorithm and provides BBAE with access to the algorithm used to manage Allocator Program accounts. Accordingly, BBAE is relying upon information provided by the Algorithm Provider in providing investment advice to Clients. BBAE currently is charged by the Algorithm Provider for use of this algorithm, but this may change in the future. The Algorithm Provider has the right to terminate BBAE’s use of and access to the algorithm with the consent of BBAE 12 months in advance. In such event, BBAE will use its best efforts to seek a replacement algorithm for use in the Allocator Program as soon as possible;
- absent technical issues, there is no human involvement in the oversight and management of individual Client;
- the questionnaire is used by BBAE as the sole basis for BBAE’s advice; and
- if and when a Client has a material change to its financial standing or risk tolerance the Client should promptly update information he or she has provided to BBAE.

The Self-Direct Option provided in connection with the Asset Allocator program is non-discretionary. Clients are solely responsible for all investment decisions and trades in connection with the Self-Direct Option. BBAE provides Clients participating in the Self-Direct Option with access to their proprietary platform for trade execution through Apex.

**BBAE Asset Allocation Third Party Advisor Program** The Allocation TPA Program is a non-discretionary (with respect to BBAE’s relationship to Third Party Advisors and TPA Users) program. Third Party Advisors (and/or TPA Users) are ultimately responsible for all investment decisions and trades. BBAE provides TPA Users and their Third Party Advisors with access to their proprietary platform for trade execution through Apex.

The Allocation TPA Program is a robo-adviser program. Accordingly, Third Party Advisors and TPA Users should be aware that:

- an algorithm is used to manage individual TPA User accounts;

- the algorithm generates five recommended portfolios that are categorized based on the risk levels in the portfolios. Individual TPA User accounts are assigned to one of these five portfolios based upon the outcome of the investor questionnaire and are invested and rebalanced by the algorithm;
- the algorithm relies on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur;
- without rebalancing, the portfolio generated by the algorithm will not stay optimized over time;
- the algorithm used to manage TPA User accounts might rebalance TPA User accounts without regard to market conditions or on a more frequent basis than the TPA User or Third Party Advisor might expect and the algorithm may not address prolonged changes in market conditions;
- BBAE might halt trading or take other temporary defensive measures in stressed market conditions;
- Xuanji Technology Limited (the “Algorithm Provider”), an independent third party, owns and manages the algorithm and provides BBAE with access to the algorithm used to manage TPA Allocation Program accounts. Accordingly, BBAE is relying upon information provided by the Algorithm Provider in providing investment advice to Clients and TPA Users. BBAE currently is charged by the Algorithm Provider for use of this algorithm, but this may change in the future. The Algorithm Provider has the right to terminate BBAE’s use of and access to the algorithm with the consent of BBAE 12 months in advance. In such event, BBAE will use its best efforts to seek a replacement algorithm for use in the Allocator TPA Program as soon as possible;
- absent technical issues, there is no human involvement in the oversight and management of individual TPA User accounts;
- the questionnaire is used by BBAE as the sole basis for BBAE’s and the Third Party Advisor’s advice; and
- if and when a TPA User has a material change to its financial standing or risk tolerance the TPA User should promptly update information he or she has provided to the Third Party Advisor and BBAE.

### **Risk Considerations**

BBAE does not guarantee the future performance of any Client’s or TPA User’s account. Clients and TPA Users must understand that investments made via the BBAE Programs involve substantial risk and are subject to various market, currency, economic, political and business risks, and that those investment decisions and actions will not always be profitable. Clients and TPA Users may not get back the amount invested. Subject to the Advisers Act, BBAE shall have no liability for any losses in a Client’s or TPA User’s account. The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE’s control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. There is no guarantee that BBAE’s judgment or investment decisions about particular

securities or asset classes will necessarily produce the intended results. BBAE's judgment may prove to be incorrect, and a Client or TPA User might not achieve his or her investment objectives. High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client or TPA User from selling his or her securities at all, or at an advantageous time or price because BBAE and the Client's or TPA User's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Finally, performance based fees can increase the risk of excessive trading in Client and TPA User accounts. The Allocator Program by its automated nature limits excessive trading risk, although human programming error may result in excessive trading. BBAE cannot guarantee any level of performance or that any Client or TPA User will avoid a loss of account assets. Any investment in securities involves the possibility of financial loss that Clients and TPA Users should be prepared to bear.

When evaluating risk, financial loss may be viewed differently by each Client or TPA User and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective Client or TPA User before entering any of the BBAE Programs. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client or TPA User if there is in fact an occurrence.

**Market Risk** - The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a Client has a high allocation in a particular asset class it may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that Client account to underperform relative to the overall market.

**Investment Risk** - There is no guarantee that BBAE's judgment, models or investment decisions about particular securities or asset classes will necessarily produce the intended results. BBAE's judgment may prove to be incorrect, and a Client or TPA User might not achieve his or her investment objectives. BBAE may also make future changes to the investing algorithms and services that it provides. In addition, it is possible that Clients, TPA Users or BBAE itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to BBAE's software based financial service.

**Volatility and Correlation Risk** - Clients and TPA Users should be aware that BBAE's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions which may adversely affect a Client or TPA User, and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any

historical returns, expected returns, or probability projections may not reflect actual future performance.

**Liquidity and Valuation Risk** - High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client or TPA User from selling her securities at all, or at an advantageous time or price because BBAE and the Client's or TPA User's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While BBAE values the securities held in Client and TPA User's accounts based on reasonably available exchange-traded security data, BBAE may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction size for purchases or sales, and/or the resulting fees paid to BBAE.

**Credit Risk** - BBAE cannot control and Clients and TPA Users are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker utilized by a Client or TPA User, notwithstanding asset segregation and insurance requirements that are beneficial to Clients and TPA Users generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of securities held by Clients or TPA Users. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a Client or TPA User. BBAE seeks to limit credit risk through ETFs, which are subject to regulatory limits on asset segregation and leverage such that fund shareholders are given liquidation priority versus the fund issuer; however, certain funds and products may involve higher issuer credit risk because they are not structured as a registered fund.

**Legislative and Tax Risk** - Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations (particularly for ETFs dealing in natural resources). BBAE does not engage in financial or tax planning, and in certain circumstances a Client or TPA User may incur taxable income on her investments without a cash distribution to pay the tax due.

**Foreign Investing and Emerging Markets Risk** - Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments,

or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

**Frontier Markets Risks** – The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as “next emerging” markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

**ETF Risks, including Net Asset Valuations and Tracking Error** - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients and TPA Users should be aware that to the extent they invest in ETF securities they will pay two levels of compensation - fees charged by BBAE and Third Party Advisors plus any management fees charged by the issuer of the ETF. This scenario may cause a higher cost (and potentially lower investment returns) than if a Client or TPA User purchased the ETF directly.

An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's or TPA User's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

**Inflation, Currency, and Interest Rate Risks** - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the

actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar- denominated assets primarily managed by BBAE may be affected by the risk that currency devaluations affect Client or TPA User purchasing power.

**Short Positions** - BBAE does not presently but may in the future recommend Clients or TPA Users short a security. With a short position, the potential for loss is unlimited.

**Derivatives** - BBAE does not presently but may in the future recommend the use of options within Client or TPA User portfolios. Options can serve to mitigate risk, but they can also enhance risk by amplifying losses.

**Algorithmic Trading** – Clients and TPA Users are advised that the BBAE Programs rely on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). Statistical investing models, such as those used by BBAE, rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid. In addition, the Algorithm Provider may terminate BBAE's use of and access to the algorithm, which may result in disruptions to the BBAE' Programs.

**Cybersecurity Risks** – BBAE and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to BBAE's Clients and TPA Users by interfering with the processing of transactions, affecting BBAE's ability to calculate net asset value or impeding or sabotaging trading. Clients and TPA Users may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose BBAE to civil liability as well as regulatory inquiry and/or action. In addition, Clients and TPA Users could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident responses plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers, and may cause a Client's or TPA User's investment in such securities to lose value.

**Investment Strategy Risks** – There are risks associated with the long-term core strategic holdings. The more aggressive the investment strategy, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

**Equity-Related Risks** – The prices of equity securities will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

**Large-Cap and Mid-Cap Risks** – Large-cap and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies.

During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

**Small-Cap and International Risks** – Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

**Fixed Income** – Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. When interest rates rise, bond prices usually fall. The longer the duration of a bond, the more sensitive to interest rate movements its value is likely to be. A decline in the credit quality of a fixed income investment could cause the value of a fixed income product to fall. High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities may be considered speculative.

**Government Securities Risks** – Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

**Commodities Risks** – Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Unlike mutual funds that



usually invest in bonds and/ or listed shares, commodities funds usually invest in futures contracts that are derivative securities. There may be additional trading risks associated with commodities funds during periods of market stress.

**Hard Asset Risks** – The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities, may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate; conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

**Real Estate Risks** – Real estate-related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax treatment granted to REITs.

**Venture Capital Risks** – Venture capital-related investments have a very high degree of risk and often require a long-term commitment. Typically, venture capital-backed companies have limited or no operating history, unproven technology, untested management and unknown future capital requirements. These companies may face intense competition, often from established companies. These companies often require several rounds of financing before they reach maturity, which may have a significant negative impact on a fund which is unable to participate in subsequent rounds of financing.

**Private Equity Risks** – Private equity-related investments have a high degree of risk and often require a long-term commitment. A private equity fund typically makes a limited number of investments, resulting in a high degree of risk with respect to each investment. Upon disposition of an investment, a private equity fund may be required to make representations about the business and financial affairs of the disposed investment, or may be responsible for the contents of disclosure documents under applicable securities laws. These arrangements may lead to contingent liabilities which might lead to losses.

**Reliance on Management and Other Third Parties** – ETF investments will rely on third party management and advisers, BBAE and the Third Party Advisors are not expected to have an active role in the day-to-day management of fund investments. Carried interest and other incentive distributions to fund management may create an incentive towards more speculative investments than would otherwise have been made.

**Infrastructure Risks** – Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects,

resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.

**Market Volatility** – General fluctuations in the economy may affect the value of one or more investments. In the event of economic volatility, the ability to achieve a favorable return on investments may be severely impeded.

**Socially Responsible Investing** – Investments may focus on “low carbon” or other areas of socially responsible investing. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.

**Large Investment Risks** – Clients and TPA Users may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where Clients and TPA Users hold a significant portion of that investment may negatively impact the value of that the investment.

**Limitations of Disclosure** – The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, Clients and TPA Users may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of such adviser or the integrity of such adviser’s management. BBAE does not have any legal, financial, regulatory, or other “disciplinary” item to report to any Client or TPA User. This statement applies to the Firm and to every employee of the Firm

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

BBAE is affiliated with a consulting firm, Pine Pointe Advisors LLC (“Pine Pointe”), that consults Third Party Advisors on the SEC registration process, United States entity creation, advertising and marketing review, Form ADV submissions, and securities regulation interpretation. Pine Pointe is a non-SEC registered entity and does not act as an investment adviser. Pine Pointe will collect an initial and ongoing monthly fee from Third Party Advisors for its consulting services. BBAE’s affiliation with Pine Pointe may create a conflict of interest, including by creating an incentive for BBAE to direct Clients or TPA Users or potential Clients or TPA Users to the Allocation TPA Program in lieu of other BBAE Programs not involving Third Party Advisors.

Except as discussed above with respect to Pine Pointe, BBAE does not have any financial industry activities or affiliations to disclose at this time.

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

BBAE has adopted a code of ethics (the "Code of Ethics") for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client and TPA User information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at BBAE must acknowledge the terms of the Code of Ethics annually, or as amended.

BBAE anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which BBAE has authority to effect the purchase or sale of securities in which BBAE, its management persons and/or Clients, directly or indirectly, have a position of interest. BBAE's employees and persons associated with BBAE are required to follow BBAE's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of BBAE and its employees may trade for their own accounts in securities which are recommended to and/or purchased for BBAE's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BBAE will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that personal employee transactions in these types of securities would not materially interfere with the best interest of BBAE's Clients. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between BBAE and its Clients.

Employees' accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with BBAE's obligation of best execution. In such circumstances, employee and Client accounts will share commission costs equally and receive securities at a total average price. BBAE will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is BBAE's policy that the Firm will not affect any principal or agency cross securities transactions for Client accounts. BBAE will also not cross trades between Client accounts.

## **Item 12 - Brokerage Practices**

BBAE directs all its brokerage and custody of Client assets to Apex. Apex provides trade execution and clearing services in addition to traditional brokerage and custody services.

BBAE will seek the best execution of transactions for Client accounts consistent with its judgment as to the business qualifications of Apex or other brokers. “Best execution” means the best overall qualitative execution, not necessarily the lowest possible commission cost. Accordingly, the factors that BBAE considers when selecting or recommending brokers are matters that directly benefit Client accounts, and consistent with obtaining the best execution of their transactions. These factors include: execution capability and available liquidity; timing and size of particular orders; commission rates; responsiveness; trading experience; reputation, integrity and fairness in resolving disputes; quality of their application programming interfaces and technology; and other factors.

BBAE does not engage in any “soft dollar” practices involving the receipt of research or other brokerage service in relation to Client commission money, nor do we receive any research or other products in connection with Client transactions. BBAE also does not use Client commission money to compensate or otherwise reward any brokers for Client referrals.

However, Clients and TPA Users should be aware that, except with respect to the Self-Direct Option, the foregoing matters are generally not relevant to the BBAE Programs, both of which charge wrap fees and do not charge accounts commissions separately.

BBAE may, but is not required to, aggregate orders for a Client’s account with orders of other Clients. BBAE may aggregate securities sale and purchase orders for a Client with similar orders being made contemporaneously for other Client accounts. In such event, the average price of the securities purchased or sold in such a transaction may be determined and a Client may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the Client than it would be if similar transactions were not being executed concurrently for other accounts.

BBAE may use block trades when advantageous to Clients. Block trades permits the trading of aggregate blocks of securities composed of assets from multiple Client accounts so long as transaction costs are shared equally and on a pro -rated basis between all accounts included in any such block. Block trading allows BBAE to execute trades in a more timely, equitable manner and to reduce overall commission charges. However, Clients and TPA Users should be aware that, except with respect to the Self-Direct Option, the BBAE Programs charge wrap fees and accounts do not pay commissions separately.

BBAE does not have any arrangements to compensate any broker for Client referrals.

### **Item 13 - Review of Accounts**

BBAE provides all Clients and TPA Users with continuous access to the Website or through a Third Party Advisor’s website and/or mobile app regarding information about account status, portfolio allocations, securities, and balances. Proprietary as well as commercially available software is used to review the portfolios quarterly to ensure that they are in line with investment objectives. Additional reviews may be triggered by material changes in variables such as a Client’s or TPA User’s individual circumstances, or the market, political or economic environment.

Clients and TPA Users have access to current account balances and positions through the Website or through a Third Party Advisor's website and/or mobile app. Apex prepares account statements showing all transactions and account balances during the prior quarter. All information relating to Client accounts and TPA User accounts are provided on the Website or through a Third Party Advisor's website and/or mobile app and/or sent via email, as agreed to with each Client or TPA User at the time of their account opening. On a quarterly basis, BBAE and/or the Third Party Advisor, as applicable, may review each Client or TPA User account and remind them to review and update the profile information previously provided. BBAE requests that Clients and TPA Users reconfirm their current profile information as needed and on an annual basis. BBAE and/or the Third Party Advisor, as applicable, conduct reviews when material changes may have occurred to a Client's or TPA User's portfolio or investment objectives. When performed by BBAE, BBAE will retain the Client or TPA User account review documentation in its database. BBAE considers implications and the volatility associated with each of its chosen asset classes when deciding when and how to rebalance.

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

BBAE and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to Clients. However, BBAE may receive from a broker-dealer or a fund company, without cost and/or at a discount, certain services and/or products, to assist in monitoring and servicing Client and TPA User accounts. These may include investment-related research, pricing information and market data, software and other technology that provide access to Client and TPA User account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software, and other products used by BBAE to assist BBAE in the Firm's investment advisory business operations.

BBAE offers cash payments for Client solicitations in accordance with CFR 275.206(4)-3.

BBAE pays a cash fee to non-employee solicitors for Client referrals to the Allocator Program. Solicitors are independent contractors and will not provide investment advisory services of any type to Clients. BBAE will provide or make available its current Form ADV Part 2 to such solicitors. BBAE will also provide or make available its current privacy policy to such solicitors if needed. If authorized in writing by a solicited Client, BBAE will deliver to the relevant solicitor copies of account statements and performance reports with respect to the solicited Client's account(s) in the Allocator Program.

BBAE may pay a cash fee to Third Party Advisors for Client referrals of other Third Party Advisors to the Allocation TPA Program. Such Third Party Advisors acting as solicitors are independent contractors and will not provide investment advisory services of any type to the referred Clients. BBAE will provide or make available its current Form ADV Part 2 to such solicitors. BBAE will also provide or make available its current privacy policy to such solicitors if needed.

## **Item 15 - Custody**

BBAE has selected Apex to custody Client and TPA User assets. However, with respect to the Allocator Program, BBAE is also deemed to have custody of Client assets by virtue of the fact that BBAE is authorized to deduct fees and expenses directly from Client assets. Similar considerations apply in the Allocation TPA Program where Third Party Advisors deduct fees and expenses directly from Client assets (a portion of which are ultimately paid to BBAE).

Each Client will receive account information, including trade confirmations and monthly account statements, directly from Apex or by logging into their account. Each Client should carefully review this information and compare it with information provided by BBAE when they are evaluating account performance, securities holdings, and transactions.

## **Item 16 - Investment Discretion**

**BBAE Asset Allocator Program** – Each Client authorizes and appoints BBAE to provide the Allocator Program on a discretionary basis, and BBAE accepts such appointment. Through the Allocator Program BBAE shall provide to the Client a tailored investment portfolio and investment advice with respect to the assets to be contained in the Allocator Program account. Specifically with regard to the Allocator Program, each Client grants BBAE full discretionary authority to invest, and to reallocate and/or reinvest those assets that comprise the Allocator Program account.

Notwithstanding the foregoing, through the Self-Direct Option in connection with the Allocator Program, a Client shall be solely responsible for all investment decisions and reinvestment of those assets that comprise a Client's Self-Direct Option assets. The Self-Direct Option is not subject to BBAE's active portfolio management. The Self-Direct Option provides Clients with access to transactions in ETFs, mutual funds and single securities with a market value of over one dollar (\$1.00).

**BBAE Asset Allocation Third Party Advisor Program** - The Allocation TPA Program is a non-discretionary (with respect to BBAE) program. TPA Users generally authorize and appoint their Third Party Advisor with investment discretion and BBAE acts as a limited agent without discretionary trading authority in providing Third Party Advisors with access to BBAE's proprietary platform for trade execution through Apex.

Notwithstanding the foregoing, through the Self-Direct Option in connection with the Allocation TPA Program, a TPA User shall be solely responsible for all investment decisions and reinvestment of those assets that comprise a TPA User's Self-Direct Option assets. The Self-Direct Option provides Third Party Advisors and/or TPA Users with access to transactions in ETFs, mutual funds and single securities with a market value of over one dollar (\$1.00).

## **Item 17 - Voting Client Securities**

As a matter of firm policy and practice, BBAE does not have any authority to and does not vote proxies on behalf of Allocator Program or Self-Direct Program Clients. Clients (or TPA

Users) retain the responsibility for receiving and voting proxies for any and all securities maintained in such Client's (or TPA User's) portfolio. Clients (or TPA Users) will receive proxies and other solicitations directly from the designated custodian.

With respect to all BBAE Programs, BBAE will neither advise nor act on behalf of the Client (or TPA User) in legal proceedings involving companies whose securities are held or previously were held in the Client's (or TPA User's) account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

### **Item 18 - Financial Information**

BBAE does not require or solicit the prepayment of any fees, and does not have any adverse financial condition that is reasonably likely to impair the Firm's ability to continuously meet its contractual commitments to its Clients. BBAE has not been the subject of a bankruptcy proceeding.

**Item 1 - Cover Page**



**BBAE Advisors LLC  
2591 Dallas Parkway  
Suite 300  
Frisco, TX 75034**

**[WWW.BBAE.COM](http://WWW.BBAE.COM)**

**Form ADV Part 2A, Appendix 1  
Wrap Fee Program Brochure**

**August 2017**

This wrap fee program brochure ("Wrap Fee Brochure") provides information about the qualifications and business practices of BBAE Advisors LLC ("BBAE" or the "Firm"), a registered investment adviser (CRD# 269900), in connection with BBAE's Asset Allocator wrap fee program (this "Wrap Fee Program").

If you have any questions about the contents of this Wrap Fee Brochure, please contact us at 1-888-840-3137 or [service@bbae.com](mailto:service@bbae.com).

Additional information about BBAE Advisors LLC also is available on the United States Securities and Exchange Commission ("SEC")'s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this Wrap Fee Brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply a certain level of skill or training.



## **Item 2 - Material Changes**

This is the first update to this Wrap Fee Brochure since the initial filing in January 2017. This update to this Wrap Fee Brochure is being filed to better describe the features and risks associated with this Wrap Fee Program.

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#### **Item 4 - Services, Fees & Compensation**

BBAE is a Delaware entity previously known as Jimustock Securities LLC that was formed in June 2015. The Firm underwent a name change in March 2016. The Firm did not change its tax identification number during the name change.

In March 2016, BBAE (formerly named Jimustock Securities LLC) changed its ownership structure.

BBAE is 100% directly owned by BBAE Holdings LLC. BBAE Holdings LLC is directly owned by BBAE Holdings, Ltd (formerly named Jimustock Holdings, Ltd.). BBAE Holdings, Ltd is thus an indirect owner of BBAE. BBAE Holdings, Ltd is 47.8% owned by Peng XiaoMei.

In 2016, the Firm relocated its headquarters from Charlotte, North Carolina to Dallas, Texas. Barry Freeman remains the Firm's President and Chief Executive Officer. Joseph Hahm is the Chief Compliance Officer.

BBAE is a robo-adviser and sponsors two wrap fee programs, one of which is this Wrap Fee Program. Additional information about BBAE's products and services is provided in the Firm's Form ADV Part 1 available at <http://www.adviserinfo.sec.gov>. The Firm encourages visiting BBAE's website located at [www.BBAE.com](http://www.BBAE.com) (the "Website") for additional information.

Through this Wrap Fee Program, BBAE offers individual (natural person) investors ("Clients") unique automated investment advisory services over the internet to allow Clients convenient and personalized access to portfolio management.

This Wrap Fee Brochure is meant to help Clients understand the nature of the advisory services offered by BBAE, whether the advisory services offered by BBAE are appropriate for a Client or potential Client, and the risks and potential conflicts of interest associated with this Wrap Fee Program. Clients should review this Wrap Fee Brochure carefully.

BBAE manages assets on a discretionary basis as part of this Wrap Fee Program. A wrap fee program is a common alternative to a typical advisory fee structure that provides clients with discretionary advisory, execution and clearing and custodial services for one all-inclusive bundled fee with no additional account activity charges. In exchange for these "bundled" services, clients pay an all-inclusive (or "wrap") fee determined as a percentage of the assets held in the wrap account. As such, BBAE charges Clients a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services provided by Apex Clearing Corporation, an unaffiliated broker-dealer ("Apex"). A Client's fee is bundled with costs for executing transactions in such Client's account(s). Please see Item 6 for additional information on brokerage considerations.

Prior to providing any discretionary services, BBAE will provide Clients with an investment management agreement (the "Agreement"). Under the Agreement, Clients provide their current and anticipated financial condition as well as their investment objectives and risk

tolerance. BBAE begins by assessing a Client's risk profiles through an online questionnaire via the Website. The Clients are also provided a customer brokerage and custody agreement with Apex (the "Brokerage Agreement"), which establishes the Client accounts and through which Apex provides the brokerage services.

Clients in this Wrap Fee Program authorize discretionary investment management services by granting BBAE a limited power of attorney permitting BBAE to buy and sell securities on Clients' behalf, which are executed and custodied with Apex. Authorization pursuant to the Agreement to manage Clients' assets on a discretionary basis shall remain in full force and effect until revoked by Clients in writing. The BBAE platform for this Wrap Fee Program maintains and monitors Clients' individual account parameters. This review may include types of account, investment objectives, overall financial conditions, personal and business assets, risk tolerances, and other factors unique to Clients' situations. Based on Clients' parameters, BBAE will develop customized investment portfolios. Periodic reviews of Clients' investment programs may result in Clients' programs being revised by BBAE, from time to time.

BBAE offers discretionary services to Clients by providing access to affordable, professional portfolio management. Each Client's customized portfolio is created to be in alignment with Clients' acceptable risk parameters and financial objectives. BBAE will develop a customized investment program and guide the Client's investments by recommending:

- A customized portfolio of Exchange Traded Funds ("ETFs"); and/or
- A customized portfolio of publicly-traded equities ("Stocks").

This Wrap Fee Program's recommendations do not include margin (leverage) or options.

This Wrap Fee Program is a proprietary program which will determine how much a Client should allocate to each investment type based upon BBAE's review of a Client's financial resources and risks. This is a **discretionary** asset allocation program, except as noted in the following paragraph.

In connection with their participation in this Wrap Fee Program, Client's will also have the option of trading independently (the "Self-Direct Option") through BBAE's proprietary technology and access to BBAE's preferred brokerage firm, Apex Clearing Corporation ("Apex"). Apex is a non-affiliated, U.S. registered broker-dealer firm. Through such independent access, Clients can place trades in ETFs, mutual funds and single securities with a market value of greater than one dollar (\$1.00). **Each Client shall be solely responsible for all investment decisions** and reinvestment of those assets that comprise Client's Self-Direct Option account. Self-Direct Option Clients are not subject to BBAE's management and or management fees, but will be responsible for data fees, Apex's fees and other trading related fees and costs.

The Website allows Clients to update their risk profiles online, and this will typically effect a change in their portfolio composition based upon the new risk profile. BBAE provides Clients with a dedicated login to the Website where Clients can view their holdings and their account

history. Client portfolios are periodically automatically rebalanced on a discretionary basis to realign the portfolios to the desired weighting across investments.

BBAE, as a robo-adviser, requires Clients to acknowledge their ability and willingness to conduct the relationship with BBAE on an electronic basis. Under the terms of the Agreement, Clients agree to receive all account information and account documents (including this Wrap Fee Brochure and other brochures), and any updates or changes to same, through access to the Website and BBAE's electronic communications. Unless noted otherwise on the Website or within this Wrap Fee Brochure, BBAE's advisory services, BBAE's portfolio management services, Apex's brokerage services, the signature for the Agreement and Brokerage Agreement, and all other documentation related to the advisory and brokerage services for this Wrap Fee Program are managed electronically.

In its management of Clients' portfolios, BBAE will seek to ensure that certain conditions are met and maintained, however Clients may not provide specific restrictions in their account. The software-based advisory services generally include preselected ETFs and/or Stocks for each asset class within the plans recommended to Clients by BBAE. Except as described herein with respect to the Self-Direct Option, BBAE does not allow Clients to select their own ETFs or Stocks because the preselected securities and asset class is considered to be part of the overall investment plan. Clients must promptly notify BBAE of any change to their financial situations or investment objectives that might require a review or revision of their portfolios. BBAE will act on any changes in financial circumstances deemed to be material or appropriate as soon as practical after BBAE is notified in writing by Clients.

At any time, Clients may terminate an account or withdraw all or part of an account, or update their investment profile, which may initiate an adjustment in the account holdings. Unless otherwise directed by Clients, BBAE will sell the securities in their accounts (or a portion of the account in the case of a partial withdrawal or update) at market price at or around the time of termination, withdrawal or update.

BBAE's annual management fee for this Wrap Fee Program shall generally be a wrap fee of 200 bps (2%) of the market value of the assets in the Wrap Fee Program account for residents of the United States that are not "qualified clients", as such term is defined in section 205-3(D)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). However, BBAE's annual management fee shall generally be a wrap fee of 100 bps (1%) of the market value of the assets in the Wrap Fee Program account plus 1000 bps (10%) of the positive performance in such account for Clients who are non-U.S. residents and any U.S. resident Client who is a "qualified client" (as defined in Rule 205-3 of the Advisers Act). Currently, the definition of a "qualified client" includes a natural person who:

- immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser; or
- either: (i) has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 or (ii) is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into.

The annual management fee shall be prorated and paid monthly, in arrears, based upon the daily average market value of the assets. No increase in the annual fee shall be effective without prior written notification to the Client. Clients enrolled in Wrap Fee Program accounts prior to April 1, 2017 shall be grandfathered in with their existing fee schedule. In addition to BBAE's annual fee for this Wrap Fee Program, for each Client account participating in the Self-Direct Option with total assets invested in the Self-Direct Option of less than one-thousand dollars (\$1,000) BBAE shall also charge the Client a monthly data usage fee of three dollars (\$3.00). Client's total assets shall be based on the average daily asset total of the prior month. BBAE shall pro-rate the data usage fee for partial months.

BBAE reserves the right, in its sole discretion, to negotiate the fee for certain Client accounts for any period of time determined by BBAE. In addition, BBAE may reduce or waive its fees for the accounts of certain Clients without notice to, or fee adjustment for, other Clients.

Clients authorize Apex, the custodian of the assets to charge the account for the amount of BBAE's fee and to remit such fee electronically to BBAE.

Please note that fees will be adjusted for deposits and withdrawals made during the month. As part of this process, Clients must understand the following:

- Apex sends statements at least quarterly to Clients showing all disbursements for their account, including the amount of the advisory fees paid;
- Clients provide authorization permitting fees to be directly paid; and
- Apex calculates the advisory fees and deducts them from Client accounts.

Clients will not have to pay BBAE any fees in addition to the Wrap Fee.

This Wrap Fee Program allows BBAE's Clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and the fee is not based directly upon transactions in a Wrap Fee Program account. The Wrap Fee is bundled with BBAE's costs for executing transactions in Clients' accounts. This results in a higher advisory fee to Clients than an advisory fee which is not bundled in such manner.

BBAE does not charge Clients higher advisory fees based on their trading activity, but Clients should be aware that BBAE may have an incentive to limit its trading activities in Clients' accounts because BBAE is charged for executed trades. By participating in this Wrap Fee Program, Clients may end up paying more or less than such Clients would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to Clients by the executing broker. In addition to the Wrap Fee, Clients may pay product or custodial fees, charges imposed directly by a mutual fund, index fund, or ETF which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. An ETF typically includes embedded expenses that may reduce the ETF's net asset value, and

therefore may directly affect the ETF's performance and indirectly affect Clients' portfolio performances or an index benchmark comparison. Expenses of an ETF may include management fees, custodian fees, brokerage commissions and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuers. These fees are not included within the Wrap Fee and BBAE does not benefit directly or indirectly from any such fees.

Clients may incur sales charges, redemption fees and other costs, as well as tax consequences, if they redeem or make other transactions in other investments in order to fund accounts.

Clients may be able to obtain some or all of the types of services available through this Wrap Fee Program on a stand-alone basis from other firms. Factors that bear upon the cost of this Wrap Fee Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the account (and other accounts that Clients may be able to combine to determine fee breakpoints), the historical and expected size or number of trades for an account, and the number and range of supplementary advisory and other services provided to an account.

**BBAE shall not receive any advisory or management fees** for providing access to the Self-Direct Option in connection with this Wrap Fee Program, except for any monthly data usage fee, if applicable. Brokerage commissions, transaction fees, and other related costs and expenses are the responsibility of the Client in connection with the Self-Direct Option. If so charged by Apex or another broker-dealer executing transactions, Clients may incur certain charges imposed by custodians, brokers and other third parties in connection with the Self-Direct Option such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients will be responsible for all such other fees and expenses in connection with the Self-Direct Option, which fees and expenses are not included in the Wrap Fee for this Wrap Fee Program.

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

This Wrap Fee Program is available to individuals (which includes all natural persons).

Account minimums to participate in this Wrap Fee Program are as follows:

- Minimum initial investment required is five-thousand dollars (\$5,000);
- Minimum legacy asset amount is five-thousand dollars (\$5,000); and
- Minimum additional investment amount once legacy amount is reached is two-thousand dollars (\$2,000).

At any time, a Client may terminate an account, or full withdraw all of an account, or update their investment profile, which may initiate an adjustment in the accounts' holdings. In that

case, BBAE may sell the securities in the Client account at market prices at the time of the termination, withdrawal or update.

In order to open a Wrap Fee Program account with BBAE, Clients must establish a brokerage relationship with Apex through the Brokerage Agreement. By entering into the Agreement with BBAE, Clients authorize and direct BBAE to place all trades in their accounts through Apex. As such, Apex will maintain all Client accounts and execute all securities transactions in their accounts without separate commission costs or other fees. Apex's procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should understand that the appointment of Apex as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to Clients as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

BBAE trades in Client accounts for any number of reasons, including in response to Client actions such as asset allocation changes, deposits or withdrawals. BBAE also trades in order to rebalance Client accounts, to change investment options or otherwise to further the investment objectives that Clients specify via the Website. A Client's portfolio is adjusted in real-time upon (1) receiving initial Client information, (2) receiving updated information from Clients about their risk tolerances or (3) receipt of risk related adjustments from BBAE. However, transactions will be subject to processing delays in certain circumstances. Trading for new portfolios and adjustments to existing portfolios will generally occur on the same business day, subject to BBAE's trading policies, except where Clients have not yet funded their accounts.

## **Item 6 - Portfolio Manager Selection and Evaluation**

### **BBAE As Portfolio Manager; Methods Of Analysis And Investment Strategy**

BBAE acts as sponsor and portfolio manager for this Wrap Fee Program. As portfolio manager, BBAE directly manages the portfolios of Clients pursuant to their Client Agreements. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than the Firm for similar services. There is no guarantee that BBAE's judgment, models, or investment decisions about particular securities or asset classes will necessarily produce the intended or expected results. BBAE's judgment may prove to be incorrect, and a Client might not achieve the Client's investment objectives.

The Wrap Fee Program utilizes Modern Portfolio Theory ("MPT"). MPT attempts to maximize a portfolio's expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by selecting the proportions of various asset classes rather than selecting individual securities.

Historically, rigorous MPT-based financial advice has only been widely available through high-end financial advisors who typically require minimum account sizes of at least \$1 million and charge annual fees of at least 100 bps (1%) of assets under management.



To employ MPT properly, one must start with an accurate determination of an individual's objective and subjective tolerance for risk. Achieving accuracy requires sophisticated algorithms applied to more detailed questions than are typically asked by advisors. Based on this risk analysis, BBAE seeks to create an individualized investment plan using the optimal asset classes in which to invest, the most efficient and inexpensive securities to represent each of those asset classes, and the ideal mix of asset classes based on the Client's specific risk tolerance.

BBAE periodically reviews a very broad population of securities to identify the most appropriate securities to represent each asset class. BBAE continuously monitors its Clients' portfolios and periodically rebalances them back to the Clients' target mix in an effort to optimize returns for the intended level of risk.

This Wrap Fee Program is a robo-adviser program. Accordingly, Clients should be aware that:

- an algorithm is used to manage individual Client accounts;
- the algorithm generates five recommended portfolios that are categorized based on the risk levels in the portfolios. Individual Client accounts are assigned to one of these five portfolios based upon the outcome of the investor questionnaire and are invested and rebalanced by the algorithm;
- the algorithm relies on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur;
- the algorithm is based on a number of assumptions:
  - any transaction fee is 0.05% for one-side trading (either buying or selling);
  - the trading price is the daily close price for any ETF;
  - expected asset return can be derived by statistical inference;
  - correlations exist between different assets;
  - investors are risk averse (i.e., active customers do not always take a high equity ratio in their portfolio);
  - Markowitz's "efficient frontier" methodology provides expected risk/return optimization allocation strategy;
  - no tax is included; and
  - no slippage costs occur during rebalancing;
- limitations of the algorithm include, without limitation:
  - imperfect estimation of the market turning point; and
  - expected return and expected correlation among different assets may significantly deviate from real market conditions due to unexpected events or investor panic;
- without rebalancing, the portfolio generated by the algorithm will not stay optimized over time;
- the algorithm used to manage Client accounts might rebalance Client accounts without regard to market conditions or on a more frequent basis than the Client might expect and the algorithm may not address prolonged changes in market conditions;

- BBAE might halt trading or take other temporary defensive measures in stressed market conditions;
- Xuanji Technology Limited (the “Algorithm Provider”), an independent third party, owns and manages the algorithm and provides BBAE with access to the algorithm used to manage Client accounts. Accordingly, BBAE is relying upon information provided by the Algorithm Provider in providing investment advice to Clients. BBAE currently is charged by the Algorithm Provider for use of this algorithm, but this may change in the future. The Algorithm Provider has the right to terminate BBAE’s use of and access to the algorithm with the consent of BBAE 12 months in advance. In such event, BBAE will use its best efforts to seek a replacement algorithm for use in this Wrap Fee Program as soon as possible;
- absent technical issues, there is no human involvement in the oversight and management of individual Client accounts;
- the questionnaire is used by BBAE as the sole basis for BBAE’s advice; and
- if and when a Client has a material change to its financial standing or risk tolerance the Client should promptly update information he or she has provided to BBAE.

See Item 4 above for further detail regarding BBAE’s advisory business.

### Risk Considerations

BBAE does not guarantee the future performance of any Client’s account. Clients must understand that investments made via this Wrap Fee Program involve substantial risk and are subject to various market, currency, economic, political and business risks, and that those investment decisions and actions will not always be profitable. Clients may not get back the amount invested. Subject to the Advisers Act, BBAE shall have no liability for any losses in a Client’s account. The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE’s control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. There is no guarantee that BBAE’s judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. BBAE’s judgment may prove to be incorrect, and a Client might not achieve his or her investment objectives. High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client from selling his or her securities at all, or at an advantageous time or price because BBAE and the Client’s broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Finally, performance based fees can increase the risk of excessive trading in Client accounts. This Wrap Fee Program by its automated nature limits excessive trading risk, although human programming error may result in excessive trading. BBAE cannot guarantee any level of performance or that any Client will avoid a loss of account assets. Any investment in securities involves the possibility of financial loss that Clients should be prepared to bear.

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which may affect the probability of adverse

consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective Client before entering this Wrap Fee Program. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client if there is in fact an occurrence.

**Market Risk** - The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a Client has a high allocation in a particular asset class it may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that Client account to underperform relative to the overall market.

**Investment Risk** - There is no guarantee that BBAE's judgment, models or investment decisions about particular securities or asset classes will necessarily produce the intended results. BBAE's judgment may prove to be incorrect, and a Client might not achieve his or her investment objectives. BBAE may also make future changes to the investing algorithms and services that it provides. In addition, it is possible that Clients or BBAE itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to BBAE's software based financial service.

**Volatility and Correlation Risk** - Clients should be aware that BBAE's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions which may adversely affect a Client, and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

**Liquidity and Valuation Risk** - High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client from selling her securities at all, or at an advantageous time or price because BBAE and the Client's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While BBAE values the securities held in Client's accounts based on reasonably available exchange-traded security data, BBAE may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction size for purchases or sales, and/or the resulting fees paid to BBAE.

**Credit Risk** - BBAE cannot control and Clients are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker

utilized by a Client, notwithstanding asset segregation and insurance requirements that are beneficial to Clients generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of securities held by Clients. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a Client. BBAE seeks to limit credit risk through ETFs, which are subject to regulatory limits on asset segregation and leverage such that fund shareholders are given liquidation priority versus the fund issuer; however, certain funds and products may involve higher issuer credit risk because they are not structured as a registered fund.

**Legislative and Tax Risk** - Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations (particularly for ETFs dealing in natural resources). BBAE does not engage in financial or tax planning, and in certain circumstances a Client may incur taxable income on her investments without a cash distribution to pay the tax due.

**Foreign Investing and Emerging Markets Risk** - Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

**Frontier Markets Risks** - The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as "next emerging" markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

**ETF Risks, including Net Asset Valuations and Tracking Error** - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by

the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that to the extent they invest in ETF securities they will pay two levels of compensation - fees charged by BBAE plus any management fees charged by the issuer of the ETF. This scenario may cause a higher cost (and potentially lower investment returns) than if a Client purchased the ETF directly.

An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

**Inflation, Currency, and Interest Rate Risks** - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar- denominated assets primarily managed by BBAE may be affected by the risk that currency devaluations affect Client purchasing power.

**Short Positions** - BBAE does not presently but may in the future recommend that Clients short a security. With a short position, the potential for loss is unlimited.

**Derivatives** - BBAE does not presently but may in the future recommend the use of options within Client portfolios. Options can serve to mitigate risk, but they can also enhance risk by amplifying losses.

**Algorithmic Trading** - Clients are advised that the Wrap Fee Program relies on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). Statistical investing models, such as those used by BBAE, rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid. In addition, the Algorithm Provider may terminate BBAE's use of and access to the algorithm, which may result in disruptions to the Wrap Fee Program.

**Cybersecurity Risks** - BBAE and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology,

processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to BBAE's Clients by interfering with the processing of transactions, affecting BBAE's ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose BBAE to civil liability as well as regulatory inquiry and/or action. In addition, Clients could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident responses plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers, and may cause a Client's investment in such securities to lose value.

**Investment Strategy Risks** – There are risks associated with the long-term core strategic holdings. The more aggressive the investment strategy, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

**Equity-Related Risks** – The prices of equity securities will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

**Large-Cap and Mid-Cap Risks** – Large-cap and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies.

During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

**Small-Cap and International Risks** – Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks,

for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

**Fixed Income** – Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. When interest rates rise, bond prices usually fall. The longer the duration of a bond, the more sensitive to interest rate movements its value is likely to be. A decline in the credit quality of a fixed income investment could cause the value of a fixed income product to fall. High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities may be considered speculative.

**Government Securities Risks** – Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

**Commodities Risks** – Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Unlike mutual funds that usually invest in bonds and/ or listed shares, commodities funds usually invest in futures contracts that are derivative securities. There may be additional trading risks associated with commodities funds during periods of market stress.

**Hard Asset Risks** – The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities, may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate; conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

**Real Estate Risks** – Real estate–related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax treatment granted to REITs.

**Venture Capital Risks** – Venture capital–related investments have a very high degree of risk and often require a long-term commitment. Typically, venture capital-backed companies have limited or no operating history, unproven technology, untested management and unknown future capital requirements. These companies may face intense competition, often from established companies. These companies often require several rounds of financing before they reach maturity, which may have a significant negative impact on a fund which is unable to participate in subsequent rounds of financing.

**Private Equity Risks** – Private equity–related investments have a high degree of risk and often require a long-term commitment. A private equity fund typically makes a limited number of investments, resulting in a high degree of risk with respect to each investment. Upon disposition of an investment, a private equity fund may be required to make representations about the business and financial affairs of the disposed investment, or may be responsible for the contents of disclosure documents under applicable securities laws. These arrangements may lead to contingent liabilities which might lead to losses.

**Reliance on Management and Other Third Parties** – ETF investments will rely on third party management and advisers, BBAE is not expected to have an active role in the day-to-day management of fund investments. Carried interest and other incentive distributions to fund management may create an incentive towards more speculative investments than would otherwise have been made.

**Infrastructure Risks** – Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects, resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.

**Market Volatility** – General fluctuations in the economy may affect the value of one or more investments. In the event of economic volatility, the ability to achieve a favorable return on investments may be severely impeded.

**Socially Responsible Investing** – Investments may focus on “low carbon” or other areas of socially responsible investing. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.

**Large Investment Risks** – Clients may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where Clients hold a significant portion of that investment may negatively impact the value of that the investment.

**Limitations of Disclosure** – The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, Clients may be subject to additional and different



risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

**Other Financial Industry Activities** - BBAE is affiliated with a consulting firm, Pine Pointe Advisors LLC ("Pine Pointe"), that consults third party advisors involved in BBAE's Asset Allocation Third Party Advisor program on the SEC registration process, United States entity creation, advertising and marketing review, Form ADV submissions, and securities regulation interpretation. Pine Pointe is a non-SEC registered entity and does not act as an investment adviser. Pine Pointe will collect an initial and ongoing monthly fee from third party advisors for its consulting services. BBAE's affiliation with Pine Pointe may create a conflict of interest, including by creating an incentive for BBAE to direct Clients or potential Clients to BBAE's Asset Allocation Third Party Advisor in lieu of this Wrap Fee Program.

Except as discussed above with respect to Pine Pointe, BBAE does not other have any financial industry activities to disclose at this time.

#### Performance-Based Fees and Side-By-Side Management

As described in Item 4, BBAE may receive performance-based compensation for investment management services provided to Clients who are non-U.S. residents and any U.S. resident Client who is a "qualified client". Performance-based compensation represents an investment adviser's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. Performance-based compensation creates certain inherent conflicts of interest with respect to BBAE's investment advice. Specifically, BBAE's entitlement to performance-based compensation in managing one or more accounts may create an incentive for BBAE to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation. As BBAE manages both accounts that are charged performance-based fees and accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account), BBAE's fee structure presents a potential conflict of interest in this respect. As a general matter, since performance-based fees reward an adviser for strong performance in accounts subject to such fees, an adviser may have an incentive to favor these accounts over those that have only asset-based fees (or lower performance based fees) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. To maintain fair and equitable treatment of all of its clients' accounts (including accounts in BBAE's other wrap fee program), BBAE has implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. BBAE maintains and adheres to written guidelines on the allocation of investment opportunities which BBAE believes, along with other existing controls, provide an environment that fosters the fair and equitable treatment of all clients.

#### Voting Client Securities

As a matter of firm policy and practice, BBAE does not have any authority to and does not vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting

proxies for any and all securities maintained in such Client's account(s). Clients will receive proxies and other solicitations directly from the designated custodian.

BBAE will neither advise nor act on behalf of Clients in legal proceedings involving companies whose securities are held or previously were held in Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

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

BBAE may, from time to time, provide customer suitability information to third parties in order to model and rebalance portfolios. In doing so, BBAE may pay a fee to third parties for portfolio modeling services.

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

Clients may contact BBAE by email 24 hours a day.

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

##### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of such adviser or the integrity of Such adviser's management. BBAE does not have any legal, financial, regulatory, or other "disciplinary" item to report to any Client. This statement applies to the Firm and to every employee of the Firm

##### Other Financial Industry Activities And Affiliations

Except as discussed in Item 6 above with respect to Pine Pointe, BBAE does not have any financial industry activities or affiliations to disclose at this time.

##### Code Of Ethics, Participation In Client Transactions And Personal Trading

BBAE has adopted a code of ethics (the "Code of Ethics") for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at BBAE must acknowledge the terms of the Code of Ethics annually, or as amended.

BBAE anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which BBAE has authority to effect the purchase or sale of securities in which BBAE, its management persons and/or Clients, directly or indirectly, have a position of interest. BBAE's employees and persons associated with BBAE are required to follow BBAE's Code of Ethics. Subject to satisfying this policy and applicable

laws, officers, directors and employees of BBAE and its employees may trade for their own accounts in securities which are recommended to and/or purchased for BBAE's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BBAE will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that personal employee transactions in these types of securities would not materially interfere with the best interest of BBAE's Clients. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between BBAE and its Clients.

Employees' accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with BBAE's obligation of best execution. In such circumstances, employee and Client accounts will share commission costs equally and receive securities at a total average price. BBAE will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is BBAE's policy that the Firm will not affect any principal or agency cross securities transactions for Client accounts. BBAE will also not cross trades between Client accounts.

#### Review Of Accounts

BBAE provides all Clients with continuous access to the Website regarding information about account status, portfolio allocations, securities, and balances. Proprietary as well as commercially available software is used to review the portfolios quarterly to ensure that they are in line with investment objectives. Additional reviews may be triggered by material changes in variables such as a Client's individual circumstances, or the market, political or economic environment.

Clients have access to current account balances and positions through the Website. Apex prepares account statements showing all transactions and account balances during the prior quarter. All information relating to Client accounts is provided on the Website and/or sent via email, as agreed to with each Client at the time of their account opening. On a quarterly basis, BBAE may review each Client account and remind them to review and update the profile information previously provided. BBAE requests that Clients reconfirm their current profile information as needed and on an annual basis. BBAE conducts reviews when material changes may have occurred to a Client's portfolio or investment objectives. When performed by BBAE, BBAE will retain the Client account review documentation in its database. BBAE considers implications and the volatility associated with each of its chosen asset classes when deciding when and how to rebalance.

### Client Referrals And Other Compensation

BBAE and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to Clients. However, BBAE may receive from a broker-dealer or a fund company, without cost and/or at a discount, certain services and/or products, to assist in monitoring and servicing Client accounts. These may include investment-related research, pricing information and market data, software and other technology that provide access to Client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software, and other products used by BBAE to assist BBAE in the Firm's investment advisory business operations.

BBAE offers cash payments for Client solicitations in accordance with CFR 275.206(4)-3.

Under these arrangements, BBAE may pay a cash fee to non-employee solicitors for Client referrals to this Wrap Fee Program. Solicitors are independent contractors and will not provide investment advisory services of any type to Clients. BBAE will provide or make available its current Form ADV Part 2 to such solicitors. BBAE will also provide or make available its current privacy policy to such solicitors if needed. If authorized in writing by a solicited Client, BBAE will deliver to the relevant solicitor copies of account statements and performance reports with respect to the solicited Client's account(s) in this Wrap Fee Program.

### Financial Information

BBAE does not require or solicit the prepayment of any fees, and does not have any adverse financial condition that is reasonably likely to impair the Firm's ability to continuously meet its contractual commitments to its Clients. BBAE has not been the subject of a bankruptcy proceeding.

**Item 1 - Cover Page**



**BBAE Advisors LLC  
2591 Dallas Parkway  
Suite 300  
Frisco, TX 75034**

**[WWW.BBAE.COM](http://WWW.BBAE.COM)**

**Form ADV Part 2A, Appendix 1  
Wrap Fee Program Brochure**

**August 2017**

This wrap fee program brochure (“Wrap Fee Brochure”) provides information about the qualifications and business practices of BBAE Advisors LLC (“BBAE” or the “Firm”), a registered investment adviser (CRD# 269900), in connection with BBAE’s Asset Allocation Third Party Advisor wrap fee program (the “Wrap Fee Program”).

If you have any questions about the contents of this Wrap Fee Brochure, please contact us at 1-888-840-3137 or [service@bbae.com](mailto:service@bbae.com).

Additional information about BBAE Advisors LLC also is available on the United States Securities and Exchange Commission (“SEC”)’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The information in this Wrap Fee Brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

This Wrap Fee Brochure is the initial wrap fee brochure document for this Wrap Fee Program. It contains information about BBAE's business practices as well as a description of potential conflicts of interest relating to BBAE's advisory business which could affect this Wrap Fee Program.

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#### **Item 4 - Services, Fees & Compensation**

BBAE is a Delaware entity previously known as Jimustock Securities LLC that was formed in June 2015. The Firm underwent a name change in March 2016. The Firm did not change its tax identification number during the name change.

In March 2016, BBAE (formerly named Jimustock Securities LLC) changed its ownership structure.

BBAE is 100% directly owned by BBAE Holdings LLC. BBAE Holdings LLC is directly owned by BBAE Holdings, Ltd (formerly named Jimustock Holdings, Ltd.). BBAE Holdings, Ltd is thus an indirect owner of BBAE. BBAE Holdings, Ltd is 47.8% owned by Peng XiaoMei.

In 2016, the Firm relocated its headquarters from Charlotte, North Carolina to Dallas, Texas. Barry Freeman remains the Firm's President and Chief Executive Officer. Joseph Hahm is the Chief Compliance Officer.

BBAE is a robo-adviser and sponsors two wrap fee programs, one of which is this Wrap Fee Program. Additional information about BBAE's products and services is provided in the Firm's Form ADV Part 1 available at <http://www.adviserinfo.sec.gov>. The Firm encourages visiting BBAE's website located at [www.BBAE.com](http://www.BBAE.com) (the "Website") for additional information.

BBAE's clients in this Wrap Fee Program ("Clients") consist of independent third party SEC-registered investment advisers ("Third Party Advisors"). Such Third Party Advisors, in turn, act as investment advisers to individual (natural person) investors (the "TPA Users") investing through such Third Party Advisors in this Wrap Fee Program.

This Wrap Fee Brochure is meant to help Clients and TPA Users understand the nature of the advisory services offered by BBAE, whether the advisory services offered by BBAE are appropriate for a Client or potential Client, whether this Wrap Fee Program is appropriate for a TPA User and the risks and potential conflicts of interest associated with this Wrap Fee Program. Clients and TPA Users should review this Wrap Fee Brochure carefully.

BBAE manages assets on a non-discretionary basis as part of this Wrap Fee Program. A wrap fee program is a common alternative to a typical advisory fee structure that provides clients with discretionary advisory, execution and clearing and custodial services for one all-inclusive bundled fee with no additional account activity charges. In exchange for these "bundled" services, clients pay an all-inclusive (or "wrap") fee determined as a percentage of the assets held in the wrap account. As such, Third Party Advisors (together with BBAE) charge TPA Users a single bundled fee that covers the investment advisory services the Third Party Advisor and BBAE provide, as well as the brokerage and custodial services provided by Apex Clearing Corporation, an unaffiliated broker-dealer ("Apex"). A TPA User's fee is bundled with costs for executing transactions in such TPA User's account(s). Please see Item 6 for additional information on brokerage considerations.



Prior to providing any services, Third Party Advisors will provide TPA Users with an investment management agreement (the “Agreement”). Under the Agreement, TPA Users provide their current and anticipated financial condition as well as their investment objectives and risk tolerance. Third Party Advisors may assess a TPA User’s risk profiles through an online questionnaire via their website or mobile app (which website or mobile app will generally be hosted by BBAE). TPA Users are also provided a customer brokerage and custody agreement with Apex (the “Brokerage Agreement”), which establishes a TPA User’s account and through which Apex provides the brokerage services.

BBAE has developed this Wrap Fee Program for use by Third Party Advisors. The program is a proprietary automated investment management platform for use by Third Party Advisors to offer TPA Users a customized portfolio of ETFs or publicly-traded equities. In connection with the program, BBAE provides Third Party Advisors with technology and related trading and account management services.

BBAE will act as the limited agent of the Third Party Advisor solely for the purposes of implementing the Third Party Advisor’s program:

- Reflecting the Third Party Advisor’s configuration of this Wrap Fee Program on the client portal;
- Implementing a questionnaire for the Third Party Advisor to assist in suitability determinations;
- Operating this Wrap Fee Program to (a) implement the Third Party Advisor’s selections, modifications and replacements of portfolios for the TPA User’s accounts, and (b) perform the automatic rebalancing for the TPA User’s accounts; and
- Carrying out the trade order management process via Apex.

This Wrap Fee Program will generally include portfolios comprised of:

- A customized portfolio of Exchange Traded Funds (“ETFs”); and/or
- A customized portfolio of publicly-traded equities (“Stocks”).

This Wrap Fee Program does not include margin (leverage) or options.

This Wrap Fee Program is a proprietary program which will determine how much a TPA User should allocate to each investment type based upon the Third Party Advisor’s review of a TPA User’s financial resources and risks. BBAE offers non-discretionary services to Third Party Advisors in connection with this Wrap Fee Program. Third Party Advisors generally provide discretionary asset allocation services as between the Third Party Advisor and the TPA Users. TPA Users are encouraged to review the Form ADV of such Third Party Advisor for further details in this regard.

In connection with their participation in this Wrap Fee Program, Third Party Advisors and/or TPA Users may in the future have the option of trading independently (the “Self-

Direct Option”) through BBAE’s proprietary technology and access to BBAE’s preferred brokerage firm, Apex. Through such independent access, Third Party Advisors and/or TPA Users will be able to place trades in ETFs, mutual funds and single securities with a market value of greater than one dollar (\$1.00). **TPA Users shall be solely responsible for all investment decisions** and reinvestment of those assets that comprise the Self-Direct Option assets. Self-Direct Option assets are not subject to BBAE’s management and or management fees, but TPA Users will be responsible for data fees, Apex’s fees and other trading related fees and costs.

The Third Party Advisor’s website and/or mobile app generally allows TPA Users to update their risk profiles online, which will typically effect a change in their portfolio composition based upon the new risk profile. BBAE generally provides Third Party Advisors with a customized website that the Third Party Advisors use to carry out this Wrap Fee Account and a dedicated login to the website where TPA Users and their Third Party Advisors can view their holdings and their account history. TPA User’s portfolios are periodically automatically rebalanced on a discretionary basis to realign the portfolios to the desired weighting across investments based upon the Third Party Advisor’s instructions.

BBAE, as a robo-adviser, requires Third Party Advisors to enter into a program agreement setting forth the terms of their relationship in connection with this Wrap Fee Program. Pursuant to such program agreement, Third Party Advisors agree to receive all account information and account documents (including this Wrap Fee Brochure and other brochures), and any updates or changes to same, through access to the Website and BBAE’s electronic communications. Unless noted otherwise on the Website or within this Wrap Fee Brochure, BBAE’s advisory services, BBAE’s portfolio management services, Apex’s brokerage services, the signature for the Agreement and Brokerage Agreement, and all other documentation related to the advisory and brokerage services for this Wrap Fee Program are managed electronically.

BBAE, as a robo-adviser, requires TPA Users to acknowledge their ability and willingness to conduct the relationship with their Third Party Advisor (and BBAE) on an electronic basis. Under the terms of the Agreement, TPA Users agree to receive all account information and account documents (including this Wrap Fee Brochure and other brochures), and any updates or changes to same, through access to the Website and BBAE’s electronic communications. Unless noted otherwise on the Website or within this Wrap Fee Brochure, BBAE’s advisory services, BBAE’s portfolio management services, Apex’s brokerage services, the signature for the Agreement and Brokerage Agreement, and all other documentation related to the advisory and brokerage services for this Wrap Fee Program are managed electronically.

In its management of TPA User’s portfolios, Third Party Advisors (and BBAE) will generally seek to ensure that certain conditions are met and maintained, however TPA Users may not generally provide specific restrictions in their account. The software-based advisory services generally include preselected ETFs and/or Stocks for each asset class within the plans recommended to TPA Users by Third Party Advisors. Except as described herein with respect to the Self-Direct Option, BBAE does not allow Third Party Advisors or TPA Users to select

their own ETFs or Stocks because the preselected securities and asset class is considered to be part of the overall investment plan. TPA Users must promptly notify their Third Party Advisor of any change to their financial situations or investment objectives that might require a review or revision of their portfolios.

At any time, TPA Users and/or Third Party Advisors may terminate an account or withdraw all or part of an account, or update a TPA User's investment profile, which may initiate an adjustment in the account holdings. Unless otherwise directed by the Third Party Advisor, BBAE will sell the securities in such accounts (or a portion of the account in the case of a partial withdrawal or update) at market price at or around the time of termination, withdrawal or update.

Apex, as the preferred broker and custodian for this Wrap Fee Program, will first pay the wrap fee for this Wrap Fee Program (the "Wrap Fee") which is generally deducted from TPA Users' accounts to BBAE. BBAE will then deduct a portion of the Wrap Fee for the Third Party Advisor, generally based on a percentage (generally in the range of [.15% to 1.00% but may vary]) of the market value of the assets in the TPA User's accounts, and BBAE will retain the remainder. Fees and fee percentages are pursuant to agreements between TPA Users and their Third Party Advisors. The Third Party Advisor is paid on a pro-rata annualized basis monthly in arrears based on the value of accounts in this Wrap Fee Program on the last day of the previous month. With respect to TPA Users who are non-U.S. residents and any TPA User who is a "qualified client" (as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act")), the Wrap Fee is generally based on either a percentage (generally in the range of 0.20% to 2.00% but may vary) of the market value of the assets in the Wrap Fee Program account or both a percentage (generally in the range of 0.20% to 1.00% but may vary) of the market value of the assets in the Wrap Fee Program account plus a percentage (generally in the range of 5%-20% but may vary) of the positive performance in such account. With respect to such TPA Users who are non-U.S. residents or who are "qualified clients", fees ultimately paid to BBAE are either a percentage (generally in the range of [0.20% to 1.00% but may vary]) of the market value of the assets in the Wrap Fee Program account or both a percentage (generally in the range of [0.20% to 0.80%] but may vary) of the market value of the assets in the Wrap Fee Program account plus a percentage (generally in the range of [5%-10%] but may vary) of the positive performance in such account. With respect to TPA Users who are U.S. residents and who are not "qualified clients", wrap fees are generally based on a percentage (generally in the range of 0.20% to 2.00% but may vary) of the market value of the assets in the Wrap Fee Program account. With respect to such TPA Users who are U.S. residents and who are not "qualified clients", fees paid to BBAE are generally in the range of 0.20% to 0.80% of the market value of the assets in the Wrap Fee Program account but may vary. As described above, the Wrap Fee is generally deducted from TPA Users' accounts to BBAE. However, a TPA User's Agreement and/or Brokerage Agreement may authorize or require Apex to remit directly to the Third Party Advisor its portion of the Wrap Fee for such TPA User. In such cases, the fees ultimately paid to BBAE are generally consistent with the fees described above.

Currently, the definition of a "qualified client" includes a natural person who:

- immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser; or
- either: (i) has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 or (ii) is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into.

BBAE reserves the right, in its sole discretion, to negotiate the fee for certain Third Party Advisors or TPA User accounts for any period of time determined by BBAE. In addition, BBAE may reduce or waive its fees for certain Third Party Advisors or the accounts of certain TPA Users without notice to, or fee adjustment for, other Third Party Advisors or TPA Users.

TPA Users authorize Apex, the custodian of the assets to charge the account for the amount of the Wrap Fee and to remit such fee electronically to the Third Party Advisor (which will in turn forward to BBAE)

Please note that fees will be adjusted for deposits and withdrawals made during the month. As part of this process, TPA Users must understand the following:

- Apex sends statements at least quarterly to you showing all disbursements for a TPA User's account, including the amount of the advisory fees paid;
- TPA Users provide authorization permitting fees to be directly paid by these terms; and
- Apex calculates the advisory fees and deducts them from the TPA User's accounts.

TPA Users and Third Party Advisors will not generally have to pay any fees to BBAE in addition to the Wrap Fee.; provided, however, that Third Party Advisors are generally subject to a \$5,000 monthly minimum fee in the event fees paid from TPA Users investing through such Third Party Advisor do not exceed such monthly minimum. Third Party Advisors generally do not charge any fees to TPA Users in connection with this Wrap Fee Program in addition to the Wrap Fee.

This Wrap Fee Program generally allows TPA Users to pay to BBAE only a specified fee for BBAE's services and the execution of transactions. The fee is not based directly upon transactions in the TPA User's account. The Wrap Fee is bundled with BBAE's costs for executing transactions in TPA User's accounts. This results in a higher fee to TPA Users than a fee which is not bundled in such manner.

BBAE does not charge Third Party Advisors or TPA Users higher fees based on their trading activity, but Third Party Advisors and TPA Users should be aware that BBAE may have an incentive to limit trading activities in TPA User's accounts because BBAE is charged for executed trades. By participating in this Wrap Fee Program, TPA Users may end up paying more or less than such TPA Users would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to TPA Users by the executing broker. In addition to the Wrap Fee, TPA Users may pay product or custodial

fees, charges imposed directly by a mutual fund, index fund, or ETF which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. An ETF typically includes embedded expenses that may reduce the ETF's net asset value, and therefore may directly affect the ETF's performance and indirectly affect a TPA User's portfolio performances or an index benchmark comparison. Expenses of an ETF may include management fees, custodian fees, brokerage commissions and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuers. These fees are not included within the Wrap Fee and BBAE does not benefit directly or indirectly from any such fees.

TPA Users may incur sales charges, redemption fees and other costs, as well as tax consequences, if they redeem or make other transactions in other investments in order to fund accounts.

Third Party Advisors and TPA Users may be able to obtain some or all of the types of services available through this Wrap Fee Program on a stand-alone basis from other firms. Factors that bear upon the cost of this Wrap Fee Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the account (and other accounts that Third Party Advisors or TPA Users may be able to combine to determine fee breakpoints), the historical and expected size or number of trades for an account, and the number and range of supplementary advisory and other services provided to an account.

**BBAE shall not receive any advisory or management fees** for providing access to the Self-Direct Option in connection with this Wrap Fee Program. However, BBAE will charge TPA Users with total assets invested in the Self-Direct Option of less than one-thousand dollars (\$1,000) a monthly data usage fee of three dollars (\$3.00). Brokerage commissions, transaction fees, and other related costs and expenses will be the responsibility of the TPA User in connection with the Self-Direct Option. If so charged by Apex or another broker-dealer executing transactions, a TPA User may incur certain charges imposed by custodians, brokers and other third parties in connection with the Self-Direct Option such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. TPA Users will be responsible for all such other fees and expenses in connection with the Self-Direct Option, which fees and expenses are not included in the Wrap Fee for this Wrap Fee Program.

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

This Wrap Fee Program is intended for use by Third Party Advisors (and TPA Users) to offer such TPA Users a customized portfolio of exchange traded funds or publicly-traded equities.

Account minimums to participate in this Wrap Fee Program are as follows:

- Minimum initial investment required is five-thousand dollars (\$5,000);
- Minimum legacy asset amount is five-thousand dollars (\$5,000); and

- Minimum additional investment amount once legacy amount is reached is two-thousand dollars (\$2,000).

At any time, a Third Party Advisor or TPA User may terminate an account, or full withdraw all of an account, or update their investment profile, which may initiate an adjustment in the accounts' holdings. In that case, BBAE may sell the securities in the TPA User's account at market prices at the time of the termination, withdrawal or update.

In order to open a Wrap Fee Program account with BBAE, TPA Users must establish a brokerage relationship with Apex through the Brokerage Agreement. By entering into the Agreement with the Third Party Advisor, TPA Users authorize and direct their Third Party Advisor to place all trades in their accounts through Apex. As such, Apex will maintain all TPA User accounts and execute all securities transactions in their accounts without separate commission costs or other fees. Apex's procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. TPA Users should understand that the appointment of Apex as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to TPA Users as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

Third Party Advisors (or BBAE) trade in TPA User's accounts for any number of reasons, including in response to a Third Party Advisor's or TPA User's actions such as asset allocation changes, deposits or withdrawals. Third Party Advisors (or BBAE) also trade in order to rebalance TPA User's accounts, to change investment options or otherwise to further the investment objectives that Third Party Advisors or TPA Users specify via the Website. A TPA User's portfolio is adjusted in real-time upon (1) receiving initial TPA User information, (2) receiving updated information from TPA Users about their risk tolerances or (3) receipt of risk related adjustments from BBAE. However, transactions will be subject to processing delays in certain circumstances. Trading for new portfolios and adjustments to existing portfolios will generally occur on the same business day, subject to Third Party Advisor's and BBAE's trading policies, except where TPA Users have not yet funded their accounts.

## **Item 6 - Portfolio Manager Selection and Evaluation**

### BBAE Not Portfolio Manager: Methods Of Analysis And Investment Strategy

BBAE acts as sponsor and the Third Party Advisor acts as portfolio manager for this Wrap Fee Program. There is no guarantee that BBAE's or the Third Party Advisor's judgment, models, or investment decisions about particular securities or asset classes will necessarily produce the intended or expected results. BBAE's or the Third Party Advisor's judgment may prove to be incorrect, and a TPA User might not achieve their investment objectives.

This Wrap Fee Program is a robo-adviser program. Accordingly, Third Party Advisors and TPA Users should be aware that:

- an algorithm is used to manage individual TPA User accounts;

- the algorithm generates five recommended portfolios that are categorized based on the risk levels in the portfolios. Individual TPA User accounts are assigned to one of these five portfolios based upon the outcome of the investor questionnaire and are invested and rebalanced by the algorithm;
- the algorithm relies on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur;
- the algorithm is based on a number of assumptions:
  - any transaction fee is 0.05% for one-side trading (either buying or selling);
  - the trading price is the daily close price for any ETF;
  - expected asset return can be derived by statistical inference;
  - correlations exist between different assets;
  - investors are risk averse (i.e., active customers do not always take a high equity ratio in their portfolio);
  - Markowitz's "efficient frontier" methodology provides expected risk/return optimization allocation strategy;
  - no tax is included; and
  - no slippage costs occur during rebalancing;
- limitations of the algorithm include, without limitation:
  - imperfect estimation of the market turning point; and
  - expected return and expected correlation among different assets may significantly deviate from real market conditions due to unexpected events or investor panic;
- without rebalancing, the portfolio generated by the algorithm will not stay optimized over time;
- the algorithm used to manage TPA User accounts might rebalance TPA User accounts without regard to market conditions or on a more frequent basis than the TPA User or Third Party Advisor might expect and the algorithm may not address prolonged changes in market conditions;
- BBAE might halt trading or take other temporary defensive measures in stressed market conditions;
- Xuanji Technology Limited (the "Algorithm Provider"), an independent third party, owns and manages the algorithm and provides BBAE with access to the algorithm used to manage accounts in this Wrap Fee Program. Accordingly, BBAE is relying upon information provided by the Algorithm Provider in providing investment advice to Clients and TPA Users. BBAE currently is charged by the Algorithm Provider for use of this algorithm, but this may change in the future. The Algorithm Provider has the right to terminate BBAE's use of and access to the algorithm with the consent of BBAE 12 months in advance. In such event, BBAE will use its best efforts to seek a replacement algorithm for use in this Wrap Fee Program as soon as possible;
- absent technical issues, there is no human involvement in the oversight and management of individual TPA User accounts;
- the questionnaire is used by BBAE as the sole basis for BBAE's and the Third Party Advisor's advice; and

- if and when a TPA User has a material change to its financial standing or risk tolerance the TPA User should promptly update information he or she has provided to the Third Party Advisor and BBAE.

See Item 4 above for further detail regarding BBAE's advisory business.

### Risk Considerations

BBAE does not guarantee the future performance of any Client's or TPA User's account. Clients and TPA Users must understand that investments made via this Wrap Fee Program involve substantial risk and are subject to various market, currency, economic, political and business risks, and that those investment decisions and actions will not always be profitable. Clients and TPA Users may not get back the amount invested. Subject to the Advisers Act, BBAE shall have no liability for any losses in a Client's or TPA User's account. The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. There is no guarantee that BBAE's judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. BBAE's judgment may prove to be incorrect, and a Client or TPA User might not achieve his or her investment objectives. High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client or TPA User from selling his or her securities at all, or at an advantageous time or price because BBAE and the Client's or TPA User's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Finally, performance based fees can increase the risk of excessive trading in Client or TPA User accounts. This Wrap Fee Program by its automated nature limits excessive trading risk, although human programming error may result in excessive trading.

BBAE cannot guarantee any level of performance or that any Client or TPA User will avoid a loss of account assets. Any investment in securities involves the possibility of financial loss that Clients and TPA Users should be prepared to bear.

When evaluating risk, financial loss may be viewed differently by each Client or TPA User and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective Client or TPA User before entering this Wrap Fee Program. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client or TPA User if there is in fact an occurrence.

**Market Risk** - The price of any security or the value of an entire asset class can decline for a variety of reasons outside of BBAE's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a Client has a high allocation in a particular asset class it



may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that Client account to underperform relative to the overall market.

**Investment Risk** - There is no guarantee that BBAE's judgment, models or investment decisions about particular securities or asset classes will necessarily produce the intended results. BBAE's judgment may prove to be incorrect, and a Client or TPA User might not achieve his or her investment objectives. BBAE may also make future changes to the investing algorithms and services that it provides. In addition, it is possible that Clients, TPA Users or BBAE itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to BBAE's software based financial service.

**Volatility and Correlation Risk** - Clients and TPA Users should be aware that BBAE's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions which may adversely affect a Client or TPA User, and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

**Liquidity and Valuation Risk** - High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client or TPA User from selling her securities at all, or at an advantageous time or price because BBAE and the Client's or TPA User's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While BBAE values the securities held in Client and TPA User's accounts based on reasonably available exchange-traded security data, BBAE may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction size for purchases or sales, and/or the resulting fees paid to BBAE.

**Credit Risk** - BBAE cannot control and Clients and TPA Users are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker utilized by a Client or TPA User, notwithstanding asset segregation and insurance requirements that are beneficial to Clients and TPA Users generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of securities held by Clients or TPA Users. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a Client or TPA User. BBAE seeks to limit credit risk through ETFs, which are subject to regulatory limits on asset segregation and leverage such that fund shareholders are given liquidation priority

versus the fund issuer; however, certain funds and products may involve higher issuer credit risk because they are not structured as a registered fund.

**Legislative and Tax Risk** - Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations (particularly for ETFs dealing in natural resources). BBAE does not engage in financial or tax planning, and in certain circumstances a Client or TPA User may incur taxable income on her investments without a cash distribution to pay the tax due.

**Foreign Investing and Emerging Markets Risk** - Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

**Frontier Markets Risks** - The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as "next emerging" markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

**ETF Risks, including Net Asset Valuations and Tracking Error** - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients and TPA Users should be aware that to the extent they invest in ETF securities they will pay two levels of compensation - fees charged by BBAE and Third Party Advisors plus any management fees charged by the issuer of the ETF. This scenario may cause a higher cost (and potentially lower investment returns) than if a Client or TPA User purchased the ETF directly.

An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's or TPA User's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

**Inflation, Currency, and Interest Rate Risks** - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar- denominated assets primarily managed by BBAE may be affected by the risk that currency devaluations affect Client or TPA User purchasing power.

**Short Positions** - BBAE does not presently but may in the future recommend Clients or TPA Users short a security. With a short position, the potential for loss is unlimited.

**Derivatives** - BBAE does not presently but may in the future recommend the use of options within Client or TPA User portfolios. Options can serve to mitigate risk, but they can also enhance risk by amplifying losses.

**Algorithmic Trading** - Clients and TPA Users are advised that the Wrap Fee Program relies on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). Statistical investing models, such as those used by BBAE, rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid. In addition, the Algorithm Provider may terminate BBAE's use of and access to the algorithm, which may result in disruptions to the Wrap Fee Program.

**Cybersecurity Risks** - BBAE and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but

unintentional events may have similar effects. Cyber-attacks may cause losses to BBAE's Clients and TPA Users by interfering with the processing of transactions, affecting BBAE's ability to calculate net asset value or impeding or sabotaging trading. Clients and TPA Users may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose BBAE to civil liability as well as regulatory inquiry and/or action. In addition, Clients and TPA Users could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident responses plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers, and may cause a Client's or TPA User's investment in such securities to lose value.

**Investment Strategy Risks** – There are risks associated with the long-term core strategic holdings. The more aggressive the investment strategy, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

**Equity-Related Risks** – The prices of equity securities will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

**Large-Cap and Mid-Cap Risks** – Large-cap and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies.

During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

**Small-Cap and International Risks** – Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

**Fixed Income** – Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. When interest rates rise, bond prices usually fall. The longer the duration of a bond, the more sensitive to interest rate movements its value is likely to be. A decline in the credit quality of a fixed income investment could cause the value of a fixed income product to fall. High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities may be considered speculative.

**Government Securities Risks** – Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

**Commodities Risks** – Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Unlike mutual funds that usually invest in bonds and/ or listed shares, commodities funds usually invest in futures contracts that are derivative securities. There may be additional trading risks associated with commodities funds during periods of market stress.

**Hard Asset Risks** – The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities, may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate; conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

**Real Estate Risks** – Real estate-related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax treatment granted to REITs.

**Venture Capital Risks** – Venture capital-related investments have a very high degree of risk and often require a long-term commitment. Typically, venture capital-backed companies

have limited or no operating history, unproven technology, untested management and unknown future capital requirements. These companies may face intense competition, often from established companies. These companies often require several rounds of financing before they reach maturity, which may have a significant negative impact on a fund which is unable to participate in subsequent rounds of financing.

**Private Equity Risks** – Private equity-related investments have a high degree of risk and often require a long-term commitment. A private equity fund typically makes a limited number of investments, resulting in a high degree of risk with respect to each investment. Upon disposition of an investment, a private equity fund may be required to make representations about the business and financial affairs of the disposed investment, or may be responsible for the contents of disclosure documents under applicable securities laws. These arrangements may lead to contingent liabilities which might lead to losses.

**Reliance on Management and Other Third Parties** – ETF investments will rely on third party management and advisers, BBAE and the Third Party Advisors are not expected to have an active role in the day-to-day management of fund investments. Carried interest and other incentive distributions to fund management may create an incentive towards more speculative investments than would otherwise have been made.

**Infrastructure Risks** – Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects, resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.

**Market Volatility** – General fluctuations in the economy may affect the value of one or more investments. In the event of economic volatility, the ability to achieve a favorable return on investments may be severely impeded.

**Socially Responsible Investing** – Investments may focus on “low carbon” or other areas of socially responsible investing. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.

**Large Investment Risks** – Clients and TPA Users may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where Clients and TPA Users hold a significant portion of that investment may negatively impact the value of that the investment.

**Limitations of Disclosure** – The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, Clients and TPA Users may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

**Other Financial Industry Activities** - BBAE is affiliated with a consulting firm, Pine Pointe Advisors LLC ("Pine Pointe"), that consults Third Party Advisors on the SEC registration process, United States entity creation, advertising and marketing review, Form ADV submissions, and securities regulation interpretation. Pine Pointe is a non-SEC registered entity and does not act as an investment adviser. Pine Pointe will collect an initial and ongoing monthly fee from Third Party Advisors for its consulting services. BBAE's affiliation with Pine Pointe may create a conflict of interest, including by creating an incentive for BBAE to direct TPA Users or potential TPA Users to this Wrap Fee Program in lieu of other BBAE Programs not involving Third Party Advisors.

Except as discussed above with respect to Pine Pointe, BBAE does not have any financial industry activities or affiliations to disclose at this time.

#### Performance-Based Fees and Side-By-Side Management

As described in Item 4, BBAE may receive performance-based compensation for investment management services provided to TPA Users who are non-U.S. residents and any U.S. resident TPA User who is a "qualified client". Performance-based compensation represents an investment adviser's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. Performance-based compensation creates certain inherent conflicts of interest with respect to BBAE's investment advice. Specifically, BBAE's entitlement to performance-based compensation in managing one or more accounts may create an incentive for BBAE to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation. As BBAE manages both accounts that are charged performance-based fees and accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account), BBAE's fee structure presents a potential conflict of interest in this respect. As a general matter, since performance-based fees reward an adviser for strong performance in accounts subject to such fees, an adviser may have an incentive to favor these accounts over those that have only asset-based fees (or lower performance based fees) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. To maintain fair and equitable treatment of all of its clients' accounts (including accounts in BBAE's other wrap fee program), BBAE has implemented controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee-structure. BBAE maintains and adheres to written guidelines on the allocation of investment opportunities which BBAE believes, along with other existing controls, provide an environment that fosters the fair and equitable treatment of all clients.

#### Voting Client Securities

As a matter of firm policy and practice, BBAE does not have any authority to and does not vote proxies on behalf of Clients. Third Party Advisors (or TPA Users) retain the responsibility for receiving and voting proxies for any and all securities maintained in a TPA User's portfolio. Third Party Advisors (or TPA Users) will receive proxies and other solicitations directly from the designated custodian.

BBAE will neither advise nor act on behalf of Third Party Advisors (or TPA User) in legal proceedings involving companies whose securities are held or previously were held in TPA User's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

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

BBAE acts as program sponsor and Third Party Advisors act as portfolio managers. In connection with this Wrap Fee Program, BBAE will share TPA User information with their Third Party Advisors.

In addition, in connection with this Wrap Fee Program, BBAE may, from time to time, provide customer suitability information to third parties in order to model and rebalance portfolios. In doing so, BBAE may pay a fee to third parties for portfolio modeling services.

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

TPA Users should generally contact their Third Party Advisor regarding their accounts (but may contact BBAE by email 24 hours a day with respect to technical issues relating to Website login and access, etc.)

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

##### Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of such adviser or the integrity of such adviser's management. BBAE does not have any legal, financial, regulatory, or other "disciplinary" item to report to any Client or TPA User. This statement applies to the Firm and to every employee of the Firm

##### Other Financial Industry Activities And Affiliations

Except as discussed in Item 6 above with respect to Pine Pointe, BBAE does not have any financial industry activities or affiliations to disclose at this time.

##### Code Of Ethics, Participation In Client Transactions And Personal Trading

BBAE has adopted a code of ethics (the "Code of Ethics") for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client and TPA User information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at BBAE must acknowledge the terms of the Code of Ethics annually, or as amended.



BBAE anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which BBAE has authority to effect the purchase or sale of securities in which BBAE, its management persons and/or Clients, directly or indirectly, have a position of interest. BBAE's employees and persons associated with BBAE are required to follow BBAE's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of BBAE and its employees may trade for their own accounts in securities which are recommended to and/or purchased for BBAE's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of BBAE will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that personal employee transactions in these types of securities would not materially interfere with the best interest of BBAE's Clients. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between BBAE and its Clients.

Employees' accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with BBAE's obligation of best execution. In such circumstances, employee and Client accounts will share commission costs equally and receive securities at a total average price. BBAE will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is BBAE's policy that the Firm will not affect any principal or agency cross securities transactions for Client accounts. BBAE will also not cross trades between Client accounts.

#### Review Of Accounts

BBAE provides all Third Party Advisors and TPA Users with continuous access to the Website regarding information about account status, portfolio allocations, securities, and balances. Proprietary as well as commercially available software is used to review the portfolios quarterly to ensure that they are in line with investment objectives. Additional reviews may be triggered by material changes in variables such as a TPA User's individual circumstances, or the market, political or economic environment.

TPA Users have access to current account balances and positions through the Website. Apex prepares account statements showing all transactions and account balances during the prior quarter. All information relating to TPA User accounts is provided on the Website and/or sent via email, as agreed to with each TPA User at the time of their account opening. On a quarterly basis, BBAE and/or the Third Party Advisor, as applicable, may review each TPA User account and remind them to review and update the profile information previously provided. BBAE requests that TPA Users reconfirm their current profile information as needed and on an annual basis. BBAE and/or the Third Party Advisor, as applicable, conduct

reviews when material changes may have occurred to a TPA User's portfolio or investment objectives. When performed by BBAE, BBAE will retain the TPA User account review documentation in its database. BBAE considers implications and the volatility associated with each of its chosen asset classes when deciding when and how to rebalance.

In addition, on a quarterly basis, BBAE will review a Third Party Advisors details and information and remind them to review and update information previously provided. BBAE requests that Third Party Advisors reconfirm their current information as needed and on an annual basis. BBAE will retain Third Party Advisor review documentation in its database.

#### Client Referrals And Other Compensation

BBAE and its related persons do not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to Clients. However, BBAE may receive from a broker-dealer or a fund company, without cost and/or at a discount, certain services and/or products, to assist in monitoring and servicing Client and TPA User accounts. These may include investment-related research, pricing information and market data, software and other technology that provide access to Client and TPA User account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software, and other products used by BBAE to assist BBAE in the Firm's investment advisory business operations.

BBAE offers cash payments for Client solicitations in accordance with CFR 275.206(4)-3.

Under these arrangements, BBAE may pay a cash fee to Third Party Advisors for Client referrals of other Third Party Advisors to this Wrap Fee Program. Such Third Party Advisors acting as solicitors are independent contractors and will not provide investment advisory services of any type to the referred Clients. BBAE will provide or make available its current Form ADV Part 2 to such solicitors. BBAE will also provide or make available its current privacy policy to such solicitors if needed.

#### Financial Information

BBAE does not require or solicit the prepayment of any fees, and does not have any adverse financial condition that is reasonably likely to impair the Firm's ability to continuously meet its contractual commitments to its Clients. BBAE has not been the subject of a bankruptcy proceeding.



**BBAE Advisors LLC**  
**2591 Dallas Parkway**  
**Suite 300**  
**Frisco, TX 75034**

[WWW.BBAE.COM](http://WWW.BBAE.COM)

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

**August 2017**

This Brochure Supplement provides information about certain BBAE Advisors LLC ("BBAE") employees that supplements BBAE's brochures. If you have any questions about the contents of this brochure, please contact us at 1-888-840-3137 or [service@bbae.com](mailto:service@bbae.com). Additional information about BBAE is 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. BBAE Advisors LLC's CRD number is 269900.

## ITEM 1 COVER PAGE

**Barry Freeman**  
President

Year of Birth: 1978

## ITEM 2 EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

BBA University of Georgia, 2001

### RELATED BUSINESS EXPERIENCE:

**President, CEO**

BBAE Advisors LLC (08/2016 – Present)

**Co-Founder, Non-Executive Director**

PINTEC HOLDINGS LTD. (08/2016 – Present)

**Co-Founder, CFO**

PINTEC HOLDINGS LTD. (01/2013 – 08/2016)

**CFO, Executive Director**

CREDIT HENG GUARANTEE (12/2010 – 01/2013)

**Managing Director**

ARC CHINA LTD. (04/2009 – 12/2010)

**Vice President**

KNIGHT CAPITAL MARKETS, LLC (11/2006 – 04/2009)

## ITEM 3 DISCIPLINARY INFORMATION

Mr. Freeman does not have any legal or disciplinary events material to Clients' or prospective Clients' evaluation.

## ITEM 4 OTHER BUSINESS ACTIVITIES

Mr. Freeman currently acts as a Non-Executive Director of Pintec Holdings Ltd.

## ITEM 5 ADDITIONAL COMPENSATION

None

## ITEM 6 SUPERVISION

BBAE has adopted supervisory policies and corresponding procedures to ensure that BBAE properly supervises its advisory personnel. Section 203(e) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") states, in part, that the Securities and Exchange Commission (the "SEC") may prohibit investment advisers from engaging in investment advisory activities for a period not exceeding 12 months or, in egregious cases, revoke the

registration of the investment adviser, for a failure to properly supervise its employees. The severity of the sanction is determined on a case-by-case basis. Past SEC enforcement actions have suggested that the adoption and implementation of reasonable compliance procedures is an affirmative defense against a claim of failure to supervise.

BBAE's supervisory policies establish procedures, and a system for applying the procedures, which BBAE reasonably expects to prevent and detect, insofar as practicable, any violation of any applicable law, rules and regulations, including the Advisers Act, and the rules and regulations promulgated thereunder, by a person subject to BBAE's supervision. BBAE's supervisory policy is predicated on the principle that BBAE and its employees owe a fiduciary duty to their clients. Each employee must avoid any activity or relationship that may reflect unfavorably on BBAE as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of confidential information, or the appearance of any impropriety. With respect to supervision of the investment advice provided to clients, each client account is reviewed periodically by Joseph Hahm.

If you have any questions regarding the supervision of Mr. Freeman's activities on BBAE's behalf, please contact Mr. Joseph Hahm, Chief Compliance Officer, (972) 731-4305 with any questions.

## ITEM 1 COVER PAGE

### Joseph Hahm

Chief Compliance Officer

Year of Birth: 1981

## ITEM 2 EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

B.A. University of Texas at Austin 2005

### RELATED BUSINESS EXPERIENCE:

#### **Chief Compliance Officer**

BBAE Advisors LLC

(12/2016 – Present)

#### **Senior Compliance Analyst**

Apex Clearing Corporation

(04/2016 – 11/2016)

#### **Compliance Officer**

Hilltop Securities Inc.

(05/2012 – 03/2016)

#### **Compliance Officer**

Capital Institutional Services, Inc.

(01/2011 – 05/2012)

#### **Equity Trader**

Assent LLC

(03/2009 – 02/2010)

#### **Compliance Officer**

Southwest Securities

(01/2009 – 03/2009)

#### **Trading Manager**

NEXT Financial Group

(06/2006 – 12/2008)

#### **Equity Trader**

Kershner Trading Group, LLC

(05/2005 – 04/2006)

## ITEM 3 DISCIPLINARY INFORMATION

Mr. Hahm does not have any legal or disciplinary events material to Clients' or prospective Clients' evaluation.

## ITEM 4 OTHER BUSINESS ACTIVITIES

None

## ITEM 5 ADDITIONAL COMPENSATION

None

## ITEM 6 SUPERVISION

BBAE has adopted supervisory policies and corresponding procedures to ensure that BBAE properly supervises its advisory personnel. Section 203(e) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") states, in part, that the Securities and Exchange

Commission (the “SEC”) may prohibit investment advisers from engaging in investment advisory activities for a period not exceeding 12 months or, in egregious cases, revoke the registration of the investment adviser, for a failure to properly supervise its employees. The severity of the sanction is determined on a case-by-case basis. Past SEC enforcement actions have suggested that the adoption and implementation of reasonable compliance procedures is an affirmative defense against a claim of failure to supervise.

BBAE’s supervisory policies establish procedures, and a system for applying the procedures, which BBAE reasonably expects to prevent and detect, insofar as practicable, any violation of any applicable law, rules and regulations, including the Advisers Act, and the rules and regulations promulgated thereunder, by a person subject to BBAE’s supervision. BBAE’s supervisory policy is predicated on the principle that BBAE and its employees owe a fiduciary duty to their clients. Each employee must avoid any activity or relationship that may reflect unfavorably on BBAE as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of confidential information, or the appearance of any impropriety. With respect to supervision of the investment advice provided to clients, each client account is reviewed periodically by Joseph Hahm.

If you have any questions regarding the supervision of Mr. Hahm’s activities on BBAE’s behalf, please contact Mr. Barry Freeman, President, (972) 731-4305 with any questions.

## ITEM 1 COVER PAGE

### **Brian Donovan**

Chief Operations Officer

Year of Birth: 1957

## ITEM 2 EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

BS Finance Siena College Loudonville, NY 1979

### RELATED BUSINESS EXPERIENCE:

#### **Chief Operations Officer**

BBAE Advisors LLC

(06/2016 – Present)

#### **Chief Compliance Officer**

Tradier Brokerage

(02/2013 – 12/2015)

#### **Chief Compliance Officer**

City National Securities, Inc.

(10/2005 – 08/2012)

#### **Chief Compliance Officer**

Magna Securities Corp.

(05/2004 – 09/2005)

#### **Vice President - Compliance**

Mellon Securities LLC

(02/2003 – 03/2004)

#### **Corporate Risk**

Dreyfus Brokerage Services

(11/2000 – 07/2002)

#### **Internal Controls Manager**

TD Waterhouse Investor Services, Inc.

(05/1998 – 11/2000)

#### **Chief Compliance Officer**

BA Securities, Inc.

(02/1995 – 09/1996)

#### **V.P. Compliance**

BA Investment Services, Inc.

(06/1994 – 01/1995)

#### **Regional Compliance Officer**

H.J. Meyers & Co., Inc.

(09/1993 – 05/1994)

#### **V.P. Compliance**

Kidder, Peabody & Co. Incorporated

(09/1985 – 09/1993)



**ITEM 3 DISCIPLINARY INFORMATION**

Mr. Donovan does not have any legal or disciplinary events material to Clients' or prospective Clients' evaluation.

**ITEM 4 OTHER BUSINESS ACTIVITIES**

None

**ITEM 5 ADDITIONAL COMPENSATION**

None

**ITEM 6 SUPERVISION**

BBAE has adopted supervisory policies and corresponding procedures to ensure that BBAE properly supervises its advisory personnel. Section 203(e) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") states, in part, that the Securities and Exchange Commission (the "SEC") may prohibit investment advisers from engaging in investment advisory activities for a period not exceeding 12 months or, in egregious cases, revoke the registration of the investment adviser, for a failure to properly supervise its employees. The severity of the sanction is determined on a case-by-case basis. Past SEC enforcement actions have suggested that the adoption and implementation of reasonable compliance procedures is an affirmative defense against a claim of failure to supervise.

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If you have any questions regarding the supervision of Mr. Donovan's advisory activities on BBAE's behalf, please contact Mr. Joseph Hahm, Chief Compliance Officer, (972) 731-4305 with any questions.

## **ITEM 1 COVER PAGE**

**Tao Feng**

Associate

Year of Birth: 1982

## **ITEM 2 EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Renmin University of China, Bachelor of Business Administration

Renmin University of China, Master of Business Administration

### **RELATED BUSINESS EXPERIENCE:**

**Investment Advisor Representative**

BBAE Advisors LLC

(05/2016 – Present)

## **ITEM 3 DISCIPLINARY INFORMATION**

Mr. Feng does not have any legal or disciplinary events material to Clients' or prospective Clients' evaluation.

## **ITEM 4 OTHER BUSINESS ACTIVITIES**

None

## **ITEM 5 ADDITIONAL COMPENSATION**

None

## **ITEM 6 SUPERVISION**

BBAE has adopted supervisory policies and corresponding procedures to ensure that BBAE properly supervises its advisory personnel. Section 203(e) of the Investment Advisers Act of 1940, as amended (the "Advisers Act") states, in part, that the Securities and Exchange Commission (the "SEC") may prohibit investment advisers from engaging in investment advisory activities for a period not exceeding 12 months or, in egregious cases, revoke the registration of the investment adviser, for a failure to properly supervise its employees. The severity of the sanction is determined on a case-by-case basis. Past SEC enforcement actions have suggested that the adoption and implementation of reasonable compliance procedures is an affirmative defense against a claim of failure to supervise.

BBAE's supervisory policies establish procedures, and a system for applying the procedures, which BBAE reasonably expects to prevent and detect, insofar as practicable, any violation of any applicable law, rules and regulations, including the Advisers Act, and the rules and regulations promulgated thereunder, by a person subject to BBAE's supervision. BBAE's supervisory policy is predicated on the principle that BBAE and its employees owe a fiduciary duty to their clients. Each employee must avoid any activity or relationship that may reflect unfavorably on BBAE as a result of a possible conflict of interest, the appearance of such a conflict, the improper use of confidential information, or the appearance of any impropriety. With respect to supervision of the investment advice provided to clients, each client account is reviewed periodically by Joseph Hahm.

If you have any questions regarding the supervision of Mr. Feng's advisory activities on BBAE's behalf, please contact Mr. Joseph Hahm, Chief Compliance Officer, (972) 731-4305