

## Cover Page

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

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

### **BBVA WEALTH SOLUTIONS SMARTPATH<sup>®</sup> DIGITAL PORTFOLIOS**

March 30, 2020

This wrap fee program brochure provides information about the qualifications and business practices of BBVA Wealth Solutions, Inc. If you have questions about the contents of this brochure, please contact us by telephone at 713-552-9277 or 800-538-8152. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

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

## Material Changes

### What is in this Current Brochure

This March 30, 2020 version of the BBVA Wealth Solutions Part 2A, Appendix 1 – Wrap Fee Program Brochure for the SmartPath® Digital Portfolios (the “March 2020 Brochure”) updates, amends and replaces the SmartPath® Digital Portfolios Wrap Fee Program Brochure dated March 29, 2019 (the “March 2019 Brochure”). This March 2020 Brochure serves as our annual update and amendment as required by the Securities and Exchange Commission and the Investment Advisers Act of 1940.

### Summary of Material Changes That Appear in this March 2020 Brochure

We have summarized the material changes to our March 2019 Brochure that appear in this March 2020 Brochure below.

- No material changes to disclose in this March 2020 Brochure

### How to Obtain a Current Brochure

If you would like another copy of this Wrap Fee Program Brochure, please download it from the SEC Website as indicated above or you may contact the firm by telephone at 713-552-9277 or **800-538-8152** or by email at [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

Please be aware that this March 2020 Brochure only addresses the BBVA Wealth Solution SmartPath Digital Portfolios and that BBVA Wealth Solutions sponsors two other separate wrap fee programs – (1) the BBVA Wealth Solutions Managed Investment Program and (2) the BBVA Wealth Solutions International Managed Investment Program. If you would like to obtain a copy of the wrap fee program brochure for either of those programs, you may download a copy from the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact the firm by telephone at 713-552-9277 or **800-538-8152** or by email at [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

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## Services, Fees and Compensation

### Our Wrap Fee Program

BBVA Wealth Solutions, Inc. (referred to below as the “Sponsor,” or as “we” or “us” or “our” as appropriate) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). We provide various investment advisory services with respect to individually managed accounts. This Brochure provides information regarding the **BBVA Wealth Solutions SmartPath® Digital Portfolios**, which offers clients, through a wrap fee program (“Program”) sponsored by us, the opportunity to invest in the Lockwood WealthStart™ Portfolios. The Lockwood WealthStart™ Portfolios pursue asset allocation strategies comprised of mutual funds and exchange-traded funds (“ETFs”) (collectively, “Funds”) selected and managed by Lockwood Advisors, Inc. (“Lockwood”). For further information, please see the sections titled “**Our Advisory Services** – Lockwood WealthStart™ Portfolios.”

As part of your account opening process, you will be asked to complete a Risk Tolerance Questionnaire or similar document (the “Investor Questionnaire”). Throughout the Investor Questionnaire, you will be asked to provide information concerning, among other things, your financial situation, retirement goals and investment risk tolerance. If you determine that participation in the Program is appropriate for you, an investment strategy will be recommended to you to help you pursue your investment goals and objectives, which investment strategy will be provided and managed by Lockwood. It is your sole responsibility to determine whether to accept or reject the recommended investment strategy available from Lockwood. In making such a determination, you should consider all of your assets, income and investments.

Additionally, in determining whether a wrap fee program is appropriate for you, you should consider, among other factors, your need for a professionally managed account as compared to a traditional, transaction-based brokerage account, the anticipated allocation of your assets to cash and cash equivalents, your anticipated frequency of trading activity and the anticipated costs of such activity if conducted in a brokerage accounts versus the bundled services fees applicable to wrap fee accounts. We will contact you, at least annually, to inquire whether there have been any changes to your financial situation, risk tolerance, investment objectives or investment needs. If there have been any changes to your financial situation in the interim, please log in to your account online and complete a new Investor Questionnaire to determine whether these changes would result in an alternate recommended investment strategy in the Program.

We and our affiliate, BBVA Securities Inc., will designate a clearing brokerage firm to act as custodian (the “Program Custodian”) for client assets held under the Program. Currently, Pershing LLC (“Pershing”), member FINRA and SIPC, serves as Program Custodian. BBVA Securities Inc., through its BBVA Investments division (sometimes referred to below as the “Introducing Broker-Dealer”), acts as introducing broker for Pershing. By participating in the Program, you agree that custody of your Program assets will be held by the Program Custodian as custodian and that, except as otherwise noted, securities transactions within your Program account will be executed through the Program Custodian, as clearing broker.

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

## Our Advisory Services

### *Lockwood WealthStart™ Portfolios*

We provide our clients access to the Lockwood WealthStart™ Portfolios, an investment advisory product provided by Lockwood, which are available to our clients through our online portal at <https://bbvausa.netxinvestor.com/web/bbva/login> (the “Site”). The Lockwood WealthStart™ Portfolios offer clients discretionary management of their assets by Lockwood across a broad spectrum of risk tolerances. Assets in the Lockwood WealthStart™ Portfolios will primarily be invested in Funds that are selected by Lockwood in accordance with the investment strategies and objectives of each portfolio. Lockwood, and not us, exercises complete discretion over the client’s invested assets and this discretion will include decisions as to which securities to purchase and sell, asset allocation and asset rebalancing. Lockwood is a registered investment adviser and an affiliate of the Program Custodian.

As wrap fee sponsor for the Program, we will conduct initial and continuous due diligence on Lockwood, we are responsible for obtaining and maintaining information regarding our clients’ financial situations and investment objectives, we have developed a platform to determine whether and which of the Lockwood WealthStart™ Portfolios are appropriate for the client based on the client’s Investor Questionnaire and we will monitor the results achieved by Lockwood. Also, we will contact clients at least once annually to inquire whether there have been any changes in their financial situation, risk tolerance, investment needs or objectives or if they wish to impose reasonable restrictions on the management of a Program account or reasonably modify existing restrictions.

As a condition of opening a Program account, clients are required to enter into an investment management agreement with us and a brokerage account agreement with the Introducing Broker-Dealer as well as fill out the Investor Questionnaire for the Program on the Site. Clients are also able to update their financial situation, risk tolerance and investment needs or objectives through the Site. The information provided by our clients in the Investor Questionnaire on the Site will result in a recommendation as to which Lockwood WealthStart™ Portfolio the client should select for investment. Once your account is open, if you need to update your financial situation, risk tolerance or investment needs or objectives, please call us at 1-800-239-1930, Option 1.

Before investing in a Program account, please carefully read the investment management agreement, any account opening documents for your brokerage account, this Form ADV, Part 2A – Appendix 1 and any other account openings documents (“Account Opening Documentation”) provided to you. The Account Opening Documentation contains important terms, conditions, limitations, obligations and rights to which you are subject by investing in the Program.

Clients should refer to the Lockwood Form ADV Part 2A Firm Brochure (available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) for more information regarding the investment vehicles and strategies available through the Lockwood WealthStart™ Portfolios.

## The Types of Investments We Make

### *Investment Risks*

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

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

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

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

monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility.

## ***Investments***

### **Lockwood WealthStart™ Portfolios**

We currently offer the Lockwood WealthStart™ Portfolios in the Program. Lockwood acts as portfolio manager, allocates client assets across different asset classes and styles and invests primarily in Funds. Lockwood determines the asset allocation strategy and selects the underlying investments for each asset class and style pursuant to its modeling strategies, economic outlook and investment research.

Based on the client's risk tolerance calculated in the Investor Questionnaire, you will receive a recommendation to invest in one of five risk profiles: Conservative, Moderate Conservative, Moderate, Moderate Aggressive or Aggressive. It is your sole responsibility to determine whether to accept or reject the recommended investment strategy available from Lockwood. In making such a determination, you should consider all of your assets, income and investments.

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

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

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

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



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

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

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

## The Fees We Charge

### ***Wrap Fee***

Under the Lockwood WealthStart™ Portfolios, the client is obligated to pay us a periodic fee based on a percentage of assets under management (the "Annual Wrap Fee"). Except as noted in this Wrap Fee Program Brochure, the Annual Wrap Fee includes and encompasses all of our investment management services and the fees for Lockwood as well as all brokerage commissions and other costs for trades executed through the Program Custodian, all monitoring and reporting services and all custody services associated with participation in the Program. The Program Custodian's compensation will be paid out of the Annual Wrap Fee or separately by us.

#### **Lockwood WealthStart™ Portfolios**

The Annual Wrap Fee for the Lockwood WealthStart™ Portfolios is 0.75%. The Annual Wrap Fee is collected in advance from the client on a quarterly basis (0.1875% per quarter) and is calculated based on the market value of the assets under management as determined by the Program Custodian as of the last business day of the preceding quarter.

Please note that each account in the Lockwood WealthStart™ Portfolios will be subject to a minimum quarterly fee of \$12.50 per account regardless of the level of client assets in the Lockwood WealthStart™ Portfolios.

### ***Householding of Program Balances***

Program clients will not be permitted to combine, or household, the balances maintained in the Program with other investments held by the client with us, including assets invested in the BBVA Wealth Solutions Managed Investment Program and the BBVA Wealth Solutions International Managed

Investment Program, for the purpose of determining the “Asset Level” applied in calculating their Annual Wrap Fees under those programs.

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

Under contractual arrangements between us and the Program Custodian, the Program Custodian has agreed to provide various administrative and overlay services, custody services and trade execution and clearance services for Program accounts (“Custodian’s Services”). The fees payable to the Program Custodian for its services (the “Custodian’s Program Fees”) are paid quarterly in advance from the Annual Wrap Fees. The Annual Wrap Fee also includes the fees of Lockwood for its provision of investment services for your Program account. We pay Lockwood quarterly fees at an annual rate of 0.25% of the market value of the assets invested in the Program.

### ***Fee Billing***

The Annual Wrap Fee is an annualized percentage of assets held in client’s Program account. The Annual Wrap Fees will be payable quarterly in advance and will be based on the market value of all assets in your Program account as of the close of business on the last business day of the preceding calendar quarter (the “Valuation Date”). Adjustments to the Annual Wrap Fee are made quarterly (for the previous quarter) for net flows of \$500 or more. These adjustments will be prorated based upon the dates of the withdrawal(s) and/or the contribution(s). If management of your account commences on a day other than the first business day of a calendar quarter, Annual Wrap Fee billing will proceed from the date the account is turned over for management under the Program and the Annual Wrap Fee, which will be paid in advance, will be prorated through the end of the quarter.

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

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

In our discretion, a portion of the assets of your Program accounts will be held in liquid investments or cash to cover the payment of fees and mutual fund redemption fees, if any. If you open your Program account with securities previously purchased through BBVA Securities Inc. (through its BBVA Investments division) or its representative, BBVA Securities Inc. or its representative, or both, will already have received commissions on the purchase. Similarly, if you open a Program account with

cash proceeds from the sale of securities through BBVA Securities Inc. (through its BBVA Investments division) or its representative, BBVA Securities Inc. or its representative, or both, will have already received commissions on the sales.

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

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

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

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

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

Fund Commissions and Expenses. Typically, purchases and sales of mutual funds for your Program accounts will be without the payment of a front end load or sales charge or a contingent load or sales charge, including CDSC. Nonetheless, your Program account typically will incur a commission in connection with the purchase or sale of ETFs, but those commissions will be paid out of the Annual Wrap Fee or by us without additional cost to you. All or a portion of the ETF commission will be paid to the Introducing Broker-Dealer (our affiliate, BBVA Securities Inc.).

In some instances, mutual funds will impose other fees (described in the applicable prospectus or other Investment Disclosure Document) in connection with the exchange of mutual fund shares or in connection with the redemption of mutual fund shares prior to the mutual fund’s designated minimum holding period (“short-term redemption fees”). Any such exchange fees or short-term redemption fees will be borne by you and will be paid out of the assets of your Program account. Exchange fees and

redemption fees will be incurred in connection with the periodic, routine reallocation and rebalancing of the assets of your Program account.

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

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

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

#### ***Additional Compensation We or Our Affiliates Will Receive***

We and/or one or more of our affiliates, including BBVA Securities Inc. and Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, S.A.), will receive payments from various Funds (including some Funds used as investment options in the Program), or from Fund sponsors, distributors and/or managers, in the form of sales, marketing and administrative support payments ("Provider Support Payments"). Provider Support Payments include but are not limited to sponsorship fees designed to defray costs associated with conferences, seminars, training and other educational events, due diligence events and other meetings ("Sponsored Events") that are attended by our employees and/or employees of our affiliates and, in some cases, certain of our clients and/or prospective clients. In addition, Funds and Fund sponsors, distributors or managers often provide promotional items, meals, entertainment and other items of value to our or our affiliates' representatives in conjunction with Sponsored Events. In some cases, the payment of Provider Support Payments will entitle a Fund or Fund sponsor, distributor or manager to conduct a presentation relating to their products and services.

Although we do not select the Funds used in the Program managed by Lockwood, a conflict of interest is presented by our selection of Lockwood as discretionary manager where Provider Support Payments or related benefits have been provided to, or are available to, our affiliates from such Funds or the sponsor, distributor or manager of such Funds that are included in the Program. However, Provider Support Payments will not be based on the level of Fund shares purchased by Program accounts or the amount of assets of Program accounts held in a Fund.

#### ***Disclosures Regarding Fee Rates***

You should be aware that the fees we charge for your participation in the Program will be higher or lower than those charged by others in the industry. You will be able to obtain the same or similar

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

### ***Changes in Our Fee Schedules***

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

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

### **Types of Clients**

The Program is available to the following types of clients:

- Individual and Joint Accounts
- Individual Retirement Accounts (“IRAs”), including Traditional and Roth IRAs

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

#### ***Minimum Investment***

The minimum investment required to open an account in the Lockwood WealthStart™ Portfolios is \$10,000. This minimum investment applies to each account separately and clients are not permitted to combine their investments in multiple accounts in the Program or other investments in the BBVA Wealth Solutions Managed Investment Program or the BBVA Wealth Solution International Managed Investment Program for the purposes of satisfying this minimum investment amount.

If you open a Program account and transfer in Fund holdings that are not included as investments in the Lockwood WealthStart™ Portfolios strategy you have selected, those holdings will be liquidated before the Program account begins trading. These liquidated funds will be included, along with any other cash assets, in the calculation for the minimum investment amount required to open an account in the Lockwood WealthStart™ Portfolios.

The minimum investment amount required to open a Program account is not negotiable and the minimum investment and each subsequent contribution must be in a form acceptable to us and Program Custodian.

#### ***Required Account Documentation***

You must complete an Investor Questionnaire and sign an Investment Management Agreement granting us discretionary authority consistent with our role in connection with the Program.

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

## Portfolio Manager Selection and Evaluation

Clients participating in the Program should focus on the potential for long-term and/or short-term growth and/or income associated with a variety of securities. The overall Program will be overseen and supervised by our Investment Policy Committee (the "IPC").

We are responsible for determining which managers are available for selection by the client in the Program and the client is responsible for the ultimate selection of the applicable investment strategy in the Program. In evaluating managers in the Program, we consider both quantitative and qualitative factors. Quantitative factors are reviewed on a quarterly basis and include, among others, performance attribution data, risk data and review of purchases and sales. Qualitative factors include the knowledge and strength of manager's investment team, competitive advantages, transparency, consistency and thoroughness of the manager's process and assessment of the manager's process for managing and controlling risk. Qualitative factors are determined through regular conference calls and visits with the manager's investment team. In the event that the manager no longer meets the standards set by our evaluations, we reserve the right to discontinue the availability of the managers and/or Program.

Please review the Lockwood Firm Brochure for a description of the methods of analysis employed by Lockwood in developing investment strategies and in selecting and evaluating the assets held in the Program account. The Lockwood Firm Brochure is available from the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Client Information Provided to Portfolio Manager

We and/or the Program Custodian will obtain from your information concerning your name, address, financial situation, investment experience, tax status, tax reporting information, and other personal non-public information needed in order to effectively service your Program account. We will share information you provide to us with the Program Custodian and other service providers as necessary in connection with the performance of services for your Program accounts. This information will be provided by you to us and/or the Program Custodian through the Site and not through a financial consultant or any other personnel associated with us or the Program Custodian.

Lockwood serves as the client's discretionary portfolio manager in connection with the Lockwood WealthStart™ Portfolios. Your personal, financial and other non-public information will be provided to Lockwood, and Lockwood will in turn provide such information to sub-advisers, other money managers and service providers as necessary in connection with the performance of services for your Lockwood WealthStart™ Portfolios account(s).

## Client Contact with Portfolio Manager

Due to the digital nature of the Program, clients do not have the ability to consult with or contact any financial consultants or other personnel with us, the Program Custodian or Lockwood. However, clients in the Program can update their financial and personal information or any investment restrictions related to the Program account at any time through the Site and the Program also conducts an annual review process. Clients may contact us through the contact information provided on the Site but there will not be a dedicated financial consultant for the client's Program account and support for the Program account may be provided electronically or over the phone.

## Additional Information

### Disciplinary Information

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

### Other Financial Industry Activities and Affiliations

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

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

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

Further, each client retains any and all rights afforded under the federal securities laws to proceed directly against the issuer of any underlying security in the client's Program account. Further, each client has the authority to impose reasonable restrictions on the management of the client's Program account. We or

Lockwood have the right to reject any restrictions that we determine are unreasonable, including any restrictions that are inconsistent with the requirements and purposes of the Program or the particular investment strategy or investment vehicles available under the Program.

## Code of Ethics

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

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

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

Our Code of Ethics:

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

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

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

To receive a copy of our Code of Ethics, you should contact us at 713-552-9277 or **800-538-8152**.



## Participation or Interest in Client Transactions

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

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

Our parent company, BBVA USA, through its Asset Management and Trust division, will purchase or sell for trust, fiduciary, and investment management clients or recommend that such accounts purchase or sell securities of the same type as those purchased or sold by us for our clients' accounts.

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

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

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

We, our representatives and our affiliates are eligible to receive fees and other compensation in addition to the fees we charge to your account for investment management services. Our investment advisory services fees

are not reduced by the amount of the additional fees and other compensation received by us, our representatives or our affiliates.

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

Clients participating in the Program have the option to obtain the recommended investment products through brokers or other agents that are not affiliated with us.

## Personal Trading

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

The following persons are considered “Access Persons”:

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

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

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

## Review of Accounts

### *Frequency of Reviews*

To ensure the Program investments are in keeping with the client's investment objectives, we will contact the client at least annually to determine whether the client's financial situation and/or investment objectives have changed and to give the client the opportunity to impose reasonable restrictions on the management of the client's Program account.

### *Account Valuation Methods*

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

### *Client Reports*

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

In addition to the periodic statements provided by the Program Custodian, clients participating in the Program can access account information, including each security owned (together with its current market value) and performance data, by accessing their account information on the Site. You should promptly and carefully review the statements you receive from the Program Custodian and, in addition, you should compare the statements received from the Program Custodian with account information available on the Site. If you notice any discrepancies, promptly notify the Program Custodian.

The client will be given the opportunity to authorize the Program Custodian to deliver periodic statements and other communications relating to client's Program account by electronic means, in which case the client will

not receive paper copies of any periodic statements or other communications that are provided electronically. The client will have the right to withdraw the client's consent to electronic delivery at any time but will incur a fee for paper copies.

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

## Client Referrals and Other Compensation

### *Referral Arrangements*

As noted above, Program accounts do not have a dedicated Sponsor representative and we do not anticipate that clients will engage with a Sponsor representative for their Program account. As such, we do not expect a referral of client business to other investment options available by us, including those in the BBVA Wealth Solutions Managed Investment Program and the BBVA Wealth Solutions International Managed Investment Program.

### *Compensation of Our Representatives*

As noted previously, Program accounts do not have a dedicated Sponsor representative and no compensation is paid to our representatives in association with the Program.

## Financial Information

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

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

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

## Custody and Brokerage

### *Program Custodian and Clearing Broker*

Pursuant to the Program Documentation, clients participating in the Program will appoint BBVA Securities Inc. as introducing broker for purposes of the Program and the Program Custodian as the custodian for the client's Program assets and as the clearing broker for transactions within the client's Program account. Custody of client's Program account assets will be maintained with the Program Custodian and in no event will we or BBVA Securities Inc. have custody of any assets of the account. The client will authorize BBVA Securities Inc., us and any discretionary portfolio manager (e.g., Lockwood) to give the Program Custodian instructions for the purchase, sale, conversion, exchange or retention of any asset in the client's Program

account, but solely in connection with the conduct by us of trading in securities in accordance with the provisions of the client's investment management or investment services agreement with us.

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

#### *Possession of client funds or securities*

Under normal circumstances, we do not permit our employees, agents or representatives to accept or maintain custody of client assets. It is our policy that we will not accept or hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them.

However, in limited circumstances, we will be deemed to have Custody as a result of (i) arrangements between us and the Program Custodian for fee payments from client accounts or (ii) arrangements between our clients and the Program Custodian with respect to disbursement of client funds to third parties pursuant Standing Letters of Authorization ("SLOAs").

We have adopted various procedures to implement this policy and reviews to monitor and ensure our policy is observed, implemented properly and amended or updated.

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

Lockwood directs all trading on behalf of the client's Program account. Clients participating in the Lockwood WealthStart™ Portfolios should review the Lockwood Firm Brochure for information concerning Lockwood's brokerage and trading policies and practices.

#### *Fund Trades*

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

ETFs purchased for a client's Program account will trade at the market price available on the applicable exchange. Typically, a commission will be incurred in connection with the purchase or sale of ETFs. Such commissions will be paid from the Wrap Fee or otherwise will be paid by us. All or a portion of the commission will be paid to BBVA Securities Inc., our affiliate.

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

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

## Conflicts of Interest

### *Overview*

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

We, one or more of our affiliates and any officer, director, stockholder, employee or any member of their families will have an interest in the securities purchased for client’s Program accounts from time to time. Certain of our principal executive officers are also principal executive officers of the parent company, BBVA USA.

### *Compensation from Funds*

We and/or one or more of our affiliates, including BBVA Securities Inc. and BBVA, S.A., will receive payments from various Funds (including some Funds used as investment options in the Program), or from Fund sponsors, distributors and/or managers, in the form of sales, marketing and administrative support payments (“Provider Support Payments”). Provider Support Payments will include sponsorship fees designed to defray costs associated with conferences, seminars, training and other educational events, due diligence events and other meetings (“Sponsored Events”) that are attended by our employees and/or employees of our affiliates and, in some cases, certain of our clients and/or prospective clients. In addition, Funds and Fund sponsors, distributors or managers also will provide promotional items, meals, entertainment and other items of value to our or our affiliates’ representatives in conjunction with Sponsored Events. In some cases, the payment of Provider Support Payments will entitle a Fund or Fund sponsor, distributor or manager to conduct a presentation relating to their products and services.

A conflict of interest is presented where Provider Support Payments or related benefits have been provided to, or are available to, us or our affiliates, from such Fund or the sponsor, distributor or manager of such Fund while the same Funds are included in the Program. However, Provider Support Payments will not be based on the level of Fund shares included in Program accounts or the amount of assets of Program accounts held in a Fund. Additionally, although we selected Lockwood as portfolio manager for the Program, Lockwood, and not us, is responsible for selecting the Funds in the Program accounts.

## Proxies and Other Legal Notices

We will not be obligated to vote, or give any advice about how to vote, proxies for securities in the client’s Program accounts and the client will expressly retain such proxy voting authority and responsibility unless Lockwood is appointed to vote proxies in the Program Documentation.

## Class Action Lawsuits

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

## Requirements for State-Registered Advisers

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