

## Cover Page

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### **BBVA Wealth Solutions, Inc.**

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### **Firm Brochure FORM ADV, Part 2A**

**March 29, 2021**

Form ADV, Part 2A, the “Disclosure Brochure” as required by the Investment Advisers Act of 1940, is a very important document between Clients and BBVA Wealth Solutions, Inc. (“BWS”).

***This Disclosure Brochure provides information about the qualifications and business practices of BBVA Wealth Solutions, Inc. If you have any questions about the contents of this Disclosure Brochure, please contact BBVA Wealth Solutions, Inc. by phone at 713-552-9277 or 800-538-8152. The information in this Disclosure 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. also is available at the SEC’s website [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 29, 2021 version of the BBVA Wealth Solutions, Inc.'s Part 2A Disclosure Brochure (the "March 2021 Disclosure Brochure") updates, amends and replaces the Part 2A Disclosure Brochure dated August 5, 2020 (the "August 2020 Disclosure Brochure"). The March 2021 Updated Disclosure Brochure serves as an updating amendment as required by the Securities and Exchange Commission ("SEC") and the Investment Advisers Act of 1940. The updated and amended Part 2A Disclosure Brochure is referred to below as "this Disclosure Brochure" or "this Brochure."

### **Summary of Material Changes to August 2020 Disclosure Brochure**

We have summarized below the material changes to our August 2020 Disclosure Brochure that appear in this March 2021 Disclosure Brochure. The summary appearing below describes only changes to our August 2020 Disclosure Brochure that are material changes. The material changes are as follows:

- We have added information concerning the pending acquisition of our ultimate U.S. parent company, BBVA USA Bancshares, Inc., by The PNC Financial Services Group, Inc., which acquisition, if consummated, will result in BBVA Wealth Solutions, Inc. becoming an affiliate of PNC and no longer being a member of the BBVA Group. See "**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE**" under "**Advisory Business – Our History and Owners.**" These potential changes also are noted, as appropriate, under "**Other Financial Industry Activities and Affiliations,**" "**Brokerage Practices, Client Referrals and Other Compensation**" and "**Custody.**"
- We have updated our "assets under management" information (see "**Advisory Business - The Assets We Manage**").
- We have noted that (a) the SmartPath Digital Portfolios Program will no longer be available to new investors after May 31, 2021 and (b) the Lockwood Asset Allocation Portfolios ("Lockwood LAAP"), the Lockwood Investment Strategies ("Lockwood LIS") and the Lockwood AdvisorFlex Portfolios ("Lockwood AFP") products will no longer be available to new investors through our Managed Investment Program after May 31, 2021. See "**Advisory Business – The Advisory Services We Offer.**"

### **How to Obtain a Current Brochure**

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

This Disclosure Brochure addresses only those investment options offered by BBVA Wealth Solutions, Inc. that are not included in the BBVA Wealth Solutions Managed Investment Program,

the BBVA Wealth Solutions International Managed Investment Program and the BBVA Wealth Solutions SmartPath® Digital Portfolios. If you would like to obtain information concerning those wrap fee programs sponsored and offered by BBVA Wealth Solutions, Inc., you may download our other brochures from the SEC website as indicated above or by contacting us at 713-552-9277 or 800-538-8152 or at the following e-mail address: [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

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## Advisory Business

### The Advisory Services We Offer

BBVA Wealth Solutions, Inc. ("BWS" and sometimes referred to herein as "us" or "we" or "our" as appropriate) renders investment advisory services for institutional and certain individual clients for taxable and tax exempt accounts, and provides fee-based advisory services to high net worth clients composed primarily of business owners, corporate executives, and professionals.

**We do not offer tax or legal advisory services. You should seek outside counsel for these services.**

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.

Currently, we offer the following types of investment management and investment advisory services to our clients:

*Separately Managed Accounts for High Net-Worth Non-U.S. Clients ("International Client SMAs")*

***Note: International Client SMAs are no longer offered to new investors.***

Among other services, we offer investment advisory services to qualifying high net worth clients who are not "U.S. persons" ("Qualifying HNW Clients"). We offer Qualifying HNW Clients fully discretionary investment management services in which we are responsible for selecting securities and other investments to pursue the client's investment objective. We will make investment decisions related to the client's account based upon an analysis of information provided by the client relating to the client's investment objectives, assets available for investment, investment horizon, risk tolerance and any other pertinent and relevant investment information ("Personal Investment Information"). We will not necessarily recommend to you the lowest cost investment products or strategies available to you.

The client grants us full discretion, consistent with the parameters of client's investment objectives, to supervise, manage and direct the investment of the assets in the client's account, all without specific consultation with client and at such times and in such manner as we deem appropriate. Consistent with the client's investment objective, we will purchase all types and classifications of investments, without distinction between principal and income, mutual funds, exchange-traded funds and money market mutual funds and including, in each case, both U.S. domestic funds and non-U.S. funds. We have the authority to determine the asset allocation of the client's account assets upon opening of the account taking into account the client's then current Personal Investment Information and thereafter periodically based on client's investment objective and periodically based on changes in economic conditions, taking into account client's then current Personal Investment Information. The client also grants us discretionary authority to purchase, sell or exchange assets in order to periodically rebalance the investments of the client's account to the extent necessary to maintain the

target allocation of the client's account assets consistent with client's Personal Investment Information, taking into account changes in the market value of investments, income, realized or unrealized gains or losses and other relevant factors, and grants us authority to establish from time to time the frequency of the rebalancing of the investments within the account and the minimum level of variances between the current allocation and the target allocations that will trigger rebalancing.

*Investment Consulting Services Relating to the Lockwood-Sponsored Advisory Products Program*

We provide non-discretionary investment consulting services in connection with participation by clients in the Lockwood Managed Account Advisor program (the "Lockwood-Sponsored Advisory Products Program"), which program is a wrap fee program sponsored by Lockwood Advisors, Inc. ("Lockwood"). Specifically, under the Lockwood-Sponsored Advisory Products Program, clients have the opportunity to participate in Separately Managed Accounts ("Lockwood Program SMAs") for which one or more third party money managers, rather than Lockwood, acts as portfolio manager. We will not necessarily recommend to you the lowest cost investment products or strategies available to you.

Certain aspects of our clients' participation in the Lockwood-Sponsored Advisory Products Program are coordinated through our registered broker-dealer affiliate, BBVA Securities Inc., through its BBVA Investments division ("BBVA Investments"), in its capacity as introducing broker for Pershing. Pershing will serve as custodian and clearing agent for accounts participating in the Lockwood-Sponsored Advisory Products Program (the "Program Custodian"). Pershing is an affiliate of Lockwood and a registered broker-dealer. Lockwood and Pershing are not affiliated with us or BBVA Securities Inc.

We will designate from time to time an individual representative ("Consultant") to assist each client in connection with the client's participation in the Lockwood-Sponsored Advisory Products Program designated by client. The Consultant also will be a registered representative of BBVA Securities Inc.

The Lockwood-Sponsored Advisory Products Program is briefly described below. You should refer to the Lockwood Advisors, Inc. Managed Account Advisor Account Wrap Fee Program Brochure (the "Lockwood Wrap Fee Program Brochure").

**Lockwood Program SMAs** -- This program provides the client the opportunity to obtain discretionary investment management from one or more money managers ("Portfolio Managers"). Lockwood performs Portfolio Manager research and due diligence and provides a list of approved Portfolio Managers and corresponding investment styles and strategies. We provide the client with information about the approved Portfolio Managers and assist the client in selecting a suitable Portfolio Manager or Portfolio Managers and investment style or styles from among Lockwood's approved list. The client is responsible for selecting the Portfolio Manager or Portfolio Managers and investment style or styles. We assist the client in completing the necessary Lockwood account paperwork, including establishing an account with the Program Custodian if the client does not already have one. Lockwood reviews the client's financial information and

investment objectives and reviews the suitability of the Portfolio Manager(s) and/or investment styles selected by the client. The client grants Lockwood the necessary limited powers to hire and fire Portfolio Manager(s) on the client's behalf. The selected Portfolio Manager(s) are responsible for day-to-day investment management decisions and the client grants to each selected Portfolio Manager, with respect to the assets of the client assigned to such Portfolio Manager, the discretion to invest and reinvest in securities, cash or other investments in accordance with the client's investment objectives.

Each Portfolio Manager, including Lockwood, sets its own account minimums for Lockwood-Sponsored Advisory Products Program accounts.

We provide clients the following services in connection with the Lockwood-Sponsored Advisory Products Program:

- We work with the client to obtain from the client information concerning the client's financial situation and investment objectives, including by assisting the client in completing the "Investor Profile" questionnaire developed by Lockwood for the Lockwood-Sponsored Advisory Products Program (the "Lockwood Investor Profile"). We forward the information regarding client and client's investment objectives to Lockwood for Lockwood's review and analysis.
- We assist the client in designating a Lockwood product to pursue client's investment objectives and determine whether the Lockwood product designated by the client is suitable for the client.
- We coordinate with BBVA Securities Inc. to assist the client in completing the paperwork in order to open necessary accounts under the Lockwood product and in funding such accounts.
- For SMAs offered through the Lockwood-Sponsored Advisory Products Program, we review changes in Portfolio Manager(s) requested by the client or instituted by Lockwood for client's account.
- We contact the client at least once annually to inquire whether any of the client's financial information provided by the client in connection with the Lockwood-Sponsored Advisory Products Program or the client's investment objectives has changed.
- In the event the client notifies us of any change in client's financial information or investment objectives, we will forward such information to Lockwood and will work with the client in order to assist the client in determining whether the current Portfolio Manager(s) or model portfolio(s) utilized for the client's account remain suitable and, if applicable, in determining the suitability for the client of any new Portfolio Manager(s) or model portfolio(s).



Lockwood, and not us or BBVA Securities Inc., is responsible for Portfolio Manager due diligence in SMAs offered through the Lockwood-Sponsored Advisory Products Program. The designated Portfolio Manager or Portfolio Managers exercise investment discretion over the client's assets in SMAs offered through the Lockwood-Sponsored Advisory Products Program. We do not exercise investment discretion or provide discretionary investment management services for the SMAs.

#### *BBVA Wealth Solutions Managed Investment Program*

Through the BBVA Wealth Solutions Managed Investment Program (the "Managed Investment Program"), we offer qualified clients several wrap fee programs sponsored by us. Currently, the Managed Investment Program includes the following wrap fee programs:

The SmartPath® Diversified Portfolios Program -- A discretionary asset allocation program offering access to certain model portfolios (the "SmartPath Diversified Model Portfolios") created by us that are composed of mutual funds, exchange-traded funds and similar pooled investment vehicles. Currently, clients have access to seven SmartPath Diversified Model Portfolios.

The Model Strategies Program -- A discretionary asset allocation program offering access to certain model portfolios ("Third Party Model Strategies") developed and maintained by "Third-Party Model Strategists," i.e., investment management firms other than us. Currently, we offer the following investment options in our Model Strategies Program:

- Retirement Income Series model portfolios (the "Morningstar Retirement Income Model Strategies") from Morningstar Investment Services, Inc.
- Morningstar Select Stock Basket Dividend Strategy from Morningstar Investment Services, Inc. (the "Morningstar Select Stock Basket Dividend Strategy")
- Morningstar ETF Asset Allocation Portfolios from Morningstar Investment Services, Inc.
- Selected model portfolios from Russell Investment Management, LLC (the "Russell Model Strategies")
- WestEnd Advisors ETF Asset Allocation Portfolios from WestEnd Advisors LLC
- Lazard U.S. Equity Select Strategy from Lazard Asset Management LLC
- Santa Barbara Dividend Growth Strategy model portfolios from Santa Barbara Asset Management, LLC

The SmartPath® Index Funds and ETF Portfolios Program -- A discretionary asset allocation program offering our clients access to model portfolios created and maintained by us and composed primarily of exchange-traded funds ("ETFs") and index mutual funds ("Index Funds") selected by our SmartPath Portfolios Team.

The Separately Managed Accounts Program – A wrap account product that offers clients discretionary management of their assets by third-party investment managers (“SMA Managers”) across a broad spectrum of investment strategies. Assets in each of these various investment strategies (“SMA Strategy”) will be invested in equity or fixed income securities that are selected by the SMA Managers in accordance with the investment strategies and objectives of the SMA Strategy. We provide our clients with investment advisory services in connection with the client’s selection of an SMA Manager based on each client’s investment goals and objectives while the SMA Manager, not us, exercises complete discretion over the client’s assets. This discretion will include decisions on which securities to purchase and sell, asset allocation and account rebalancing.

The SmartPath® UMA Program -- A discretionary, wrap fee program in which client assets are invested in a UMA strategy provided by a third-party model strategist. Assets in the SmartPath UMA Program will be invested in SMA Strategies, Third-Party Model Strategies, pooled investment vehicles such as mutual funds and ETFs and individual securities and are held within a single account.

The Lockwood Advisory Products Program -- A wrap fee program sponsored by us that offers clients the opportunity to participate in the Lockwood Asset Allocation Portfolios (“Lockwood LAAP”), the Lockwood Investment Strategies (“Lockwood LIS”) and the Lockwood AdvisorFlex Portfolios (“Lockwood AFP”), each of which is an investment advisory product provided by Lockwood Advisors, Inc. (“Lockwood”). **Note: The Lockwood LAAP, Lockwood LIS and Lockwood AFP will no longer be offered to new investors through our Managed Investment Program after May 31, 2021.**

Detailed information concerning the Managed Investment Program is contained in our separate Wrap Fee Program (Form ADV Part 2A, Appendix 1) for the Managed Investment Program. You may obtain a copy of the Managed Investment Program Wrap Fee Program Brochure by calling us at 713-552-9277 or 800-538-8152 or by requesting a copy from one of our representatives.

#### *BBVA Wealth Solutions International Managed Investment Program*

Through the BBVA Wealth Solutions International Managed Investment Program (the “International Managed Investment Program”), we offer qualified clients wrap fee programs sponsored by us. Currently, the International Managed Investment Program includes the following wrap fee programs:

SmartPath® Diversified International Portfolios -- Discretionary investment management services are available to clients who are non-U.S. persons through our SmartPath Diversified International Portfolios, an asset allocation program offering clients the opportunity to receive portfolio management services based on a SmartPath International Model Portfolio maintained by us.

International Model Strategies Program -- The International Model Strategies Program is a discretionary asset allocation program offering clients access to certain model

portfolios (“Third-Party Model Strategies”) developed and maintained by investment management firms other than us (“Third-Party Model Strategists”). Third-Party Model Strategists typically include both fully independent third-party managers or one or more of our affiliates. Currently, we offer the Franklin Templeton Income Model Portfolio from Franklin Advisers, Inc., a portfolio of US Dollar-denominated, offshore mutual funds.

Detailed information regarding the SmartPath Diversified International Portfolios and the International Model Strategies Program is contained in the separate Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) for the International Managed Investment Program. You may obtain a copy of the International Managed Investment Program Brochure by calling us at 713-552-9277 or by requesting a copy from one of our representatives.

#### *BBVA Wealth Solutions SmartPath® Digital Portfolios*

**Note: The BBVA Wealth Solutions SmartPath® Digital Portfolios will no longer be offered to new investors after May 31, 2021.**

Through the BBVA Wealth Solutions SmartPath® Digital Portfolios (the “SmartPath Digital Portfolios”), we offer qualified clients wrap fee programs sponsored by us. Currently, the SmartPath Digital Portfolios offer the following wrap fee program portfolio:

*Lockwood WealthStart™ Portfolios* -- We provide our clients access to the Lockwood WealthStart™ Portfolios, an investment advisory product provided by Lockwood Advisors, Inc. (“Lockwood”), which are available to our clients through an online portal. 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.

#### *Support to Our Parent Company*

We also provide investment support and periodic model portfolio recommendations to our parent company, BBVA USA. BBVA USA uses our recommendations in managing various investment management and trust accounts it maintains for its customers. The portfolio managers employed by BBVA USA to manage its client accounts determine whether to follow all, part or none of our recommendations. We do not exercise any investment discretion over the investment management or trust accounts administered by BBVA USA.

#### **Disclaimer of Tax Advice**

**We do not offer tax or legal advisory services. You should seek outside counsel for these services including, without limitation, advice from a qualified tax professional regarding the U.S. and non-U.S. tax consequences of maintaining one or more BWS accounts and of the investments within such account(s).**

Our investment management/advisory services will not take into account the possible tax impact on the client's assets held in the client's account(s) with us or elsewhere.

The following information is provided for general informational purposes to non-U.S. persons maintaining accounts with us:

**IRS CIRCULAR 230 NOTICE: To the extent that this document or any document described herein concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter that is contained in this document.**

#### U.S. Tax Reporting

Brokerage firms located in the United States are required to report to the U.S. Internal Revenue Service ("IRS") once a year on Form 1042-S all "US source income" for each brokerage account at the firm. "US source income" is, in general terms, defined under U.S. tax regulations as dividend on interest income earned on securities issued by U.S. companies or U.S. registered mutual funds or exchange-traded funds. Also, interest earned on U.S. Treasury securities and Eurobonds issued by U.S. companies are "US source income." Hence, to the extent that you have dividends or interest from U.S. companies or U.S. government agencies, the amount will be included in the brokerage firm's annual report to the IRS.

In contrast, "foreign source of income" is dividend or interest earned on securities issued by non-U.S. companies, including non-U.S. registered mutual funds, etc. Dividend or interest income paid on non-U.S.-securities in your brokerage account is not reported to the IRS. It is necessary that you have on file as part of your brokerage account documentation, IRS Form W-8 (which certifies that your account is not owned by a U.S. citizen or resident).

#### U.S. Tax Withholding

Brokerage firms located in the United States are required to withhold income tax on "US source of income".

- *Dividends:* Under U.S. tax treaties in place with other countries, dividends earned on U.S. securities in your U.S. account will be subject to a tax withholding (which means that a portion of each dividend payment is deducted by the brokerage firm and sent to the IRS).
- *Interest:* Interest earned on bonds issued by U.S. companies (including Eurobonds) or by the U.S. Treasury or other U.S. government agency is exempt from U.S. withholding tax provided the original issue date of the bond is after July 1984.

However, even though there is no U.S. tax withheld on interest earned on U.S. bonds issued by U.S. companies, the U.S. Treasury or other U.S. government agencies, as noted above, the interest earned on such securities must be reported to the IRS in respect of your account by the brokerage firm on their annual report on Form 1042-S.

### U.S. Estate Tax

Certain classes of assets located in the United States, even those which are beneficially owned by non-U.S. citizens who do not reside in the United States, could be subject to U.S. estate tax.

### **Our History and Owners**

BWS was established in June 1996 and was originally known as Stavis Margolis Advisory Services, Inc. In 2005, BWS was acquired by Compass Bank (now known as BBVA USA), a state-chartered banking institution, which became BWS' sole shareholder. In 2007, BBVA USA's parent company was acquired by Banco Bilbao Vizcaya Argentaria, S.A., a publicly-traded multi-national banking organization based in Spain that does business under the name "BBVA." In recognition of our affiliation with BBVA, in 2009 we changed our name to BBVA Wealth Solutions, Inc. Today, we remain a 100%-owned subsidiary of BBVA USA and an indirect 100%-owned subsidiary of BBVA.

**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE** - *Pending Acquisition of BBVA Wealth Solutions, Inc.'s ultimate U.S. parent company, BBVA USA Bancshares, Inc., by The PNC Financial Services Group, Inc.*

Currently, BBVA Wealth Solutions, Inc. is a member of the "BBVA Group," and, as such, is a direct subsidiary of BBVA USA, a state-chartered bank, and an indirect subsidiary of the ultimate parent company, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and its U.S. intermediate holding company, BBVA USA Bancshares, Inc. ("BUBI"). On November 15, 2020, BBVA entered into an agreement with The PNC Financial Services Group, Inc. ("PNC") under which PNC will acquire the U.S. banking operations of BBVA (the "PNC Acquisition Transaction"). The transaction will result in PNC acquiring all of the shares of BUBI from BBVA. When that happens, BBVA Wealth Solutions, Inc. will no longer be affiliated with BBVA and instead will become part of PNC and, specifically, will become a wholly owned subsidiary of PNC's flagship bank, PNC Bank, National Association. The upcoming PNC Acquisition Transaction will not result in any interruption in the services you receive from us as Sponsor of the Programs. Additional information concerning the PNC Acquisition Transaction is provided below.

As you might expect, the PNC Acquisition Transaction is subject to the fulfillment of a number of conditions and requirements, including necessary regulatory approvals. It is anticipated that the changes described above will occur between June 1 and July 15 of this year. Once BBVA Wealth Solutions becomes affiliated with PNC, we expect to change our name to "PNC Managed Account Solutions, Inc." Since the PNC Acquisition Transaction, if consummated, will constitute an "assignment" of your investment management agreement with us under applicable law, you will receive a notification letter relating to the PNC Acquisition Transaction and the opportunity to opt-out if you do not wish to continue your investment management relationship with us.

As noted above, the PNC Acquisition Transaction will change the ultimate beneficial ownership of BBVA Wealth Solutions, but will not result in any immediate changes in our Programs or the services we provide to you. Until further notice, Pershing and BBVA Securities Inc. will continue as Program Custodian and Introducing Broker-Dealer,

respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction, BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. At an appropriate time, you will receive additional communications regarding changes that PNC expects to make to more fully integrate your account into PNC's managed account platforms. Once that integration occurs, PNC's broker-dealer affiliate, PNC Investments, LLC will act as introducing broker-dealer and its clearing broker, National Financial Services, LLC, will serve as your account's custodian.

Although we believe that the PNC Acquisition Transaction will be consummated as planned, in the event it is not, you will be notified but, in any event, we will continue to service your account without interruption.

### **The Assets We Manage**

As of December 31, 2021, we manage approximately \$1,437,553,796 in assets for clients on a discretionary basis. Please note that all dollar amounts contained in this Disclosure Brochure are stated in United States Dollars.

### **Fees and Compensation**

#### **How We Are Paid for our Services**

We are compensated in different ways depending on the types of services we provide. In the case of investment management services, typically clients pay fees that are based on a percentage of the assets managed or advised by us. In some cases, the percentage (asset-based) fees are negotiable, but generally are based on our standard fee schedules. Different fee schedules apply to different investment management/advisory services. In the case of the investment consulting services we provide in connection with the Lockwood-Sponsored Advisory Products Program, we are compensated based on a percentage of the assets managed by Lockwood under the Lockwood-Sponsored Advisory Products Program and we also receive an administrative fee as sponsor of the Lockwood-Sponsored Advisory Products Program ("Administrative Fee"). Unless expressly noted to the contrary, clients maintaining accounts with us will incur transaction costs, fees, commissions and other charges and expenses in addition to the fees paid to us. In some cases, we and our employees and affiliated companies will also receive fees and compensation that are in addition to the fees paid directly by the client, including from mutual funds or similar funds, third-party providers and affiliates.

*The information contained in this Disclosure Brochure regarding fees and compensation does not apply to our services relating to the Managed Investment Program, the International Managed Investment Program or the SmartPath Digital Portfolios. Specific information regarding fees and compensation relating those programs is contained in the separate Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) applicable to such programs.*

**Please Note: All dollar values in this Disclosure Brochure are stated in United States Dollars.**

## **Fees Applicable to International Client SMAs**

### **Note: International Client SMAs are no longer offered to new investors**

Typically, clients pay fees that are based on a percentage of the assets managed by us or for which we provide services as follows:

<u>Level of Total Assets in Account</u>	<u>Annual Fee</u>
Below \$1,999,999.99	1.00%
From \$2,000,000 to \$4,999,999.99	0.80%
From \$5,000,000 to \$9,999,999.99	0.65%
More than \$10,000,000	0.50%*

**Minimum Annual Fee: \$7,500\***

\*We reserve the right to negotiate the level of the asset-based fee and the minimum annual fee in the case of accounts with total assets in excess of \$10,000,000.

The foregoing asset-based fees are calculated and payable quarterly in advance based on the market value of the assets under management or advisement in the client's account as of the last business day of the preceding calendar quarter. For example, if as of the end of a calendar quarter, the total market value of the assets in the client's account equaled \$2,100,000, the applicable fee for the succeeding calendar quarter would be calculated based on an annual rate of 0.80% (i.e., 0.20% for the quarter). If at the end of the next calendar quarter, the total market value of the assets had declined to \$1,950,000, the applicable fee for the succeeding calendar quarter would be calculated based on an annual rate of 1.00% (i.e., 0.25% for the quarter).

**Clients Referred by FinAccess Advisors LLC.** In the case of clients referred to us by FinAccess Advisors LLC and accepted by us ("FinAccess-Referred Clients"), in lieu of the fee schedule set forth above the client will be responsible to pay us periodic fees based on the assets under management or advisement in the client's account equal to 0.50% (50 basis points) per year, calculated and payable in arrears quarterly based on the market value of the assets under management or advisement in the client's account as of the end of the immediately preceding quarter. For information on our referral arrangement with FinAccess Advisors LLC, see below under "**Client Referrals and Other Compensation.**"

### *Fee Billing*

Fees typically are paid quarterly in advance, but will be paid in arrears in the case of FinAccess-Referred Clients and will also be paid in arrears under certain circumstances by mutual agreement between us and the client. If the account's fees are payable in advance and management of the account commences on a day other than the first business day of a calendar quarter, fee billing will proceed from the date the account is turned over for management and the asset-based fees, which will be paid in advance, will be prorated through the end of the quarter. The client will direct in the client's investment management agreement with us that

our investment management fees will be deducted from the client's account. The client grants us the authority to sell securities within the client's account, and to determine the order in which securities shall be sold, to pay our investment management fees when due.

Our asset-based fees apply to all assets in the client's account, including assets invested in shares of mutual funds, exchange-traded funds and money market mutual funds (and other cash equivalent investments). Assets invested in mutual funds, exchange-traded funds and money market funds (or other cash equivalent investments) also charge their own management fees and are subject to additional fees, charges and expenses.

#### *Householding of Account Balances*

*Unless clearly indicated herein to the contrary, assets in accounts maintained by you with us, or any of our affiliates, will not be taken into account in calculating the asset thresholds for purposes of determining the applicable asset-based fees.* Clients maintaining International Client SMA accounts will be permitted to combine (household) the balances maintained by them and their immediate family members in other International Client SMA accounts for purposes of determining the level of total assets criteria applied in calculating their asset-based fees. A "household" is generally a group of accounts having the same address of record, subject to certain rules. The accounts which are permitted to be househoused are subject to our approval.

*Other Fees and Charges.* In addition to the investment management fees paid to us, clients will incur other fees, charges and expenses. Additional fees, charges and expenses will include:

- *Mutual Fund and Similar Commissions and Expenses.* If we use mutual funds, ETFs or similar funds for your account, typically your account will not incur front-end or deferred sales charges in connection with the purchase of mutual funds, ETFs and similar pooled investment vehicles, including various types of unregistered vehicles and including both domestic U.S. pooled investment vehicles and "offshore," non-U.S. pooled investment vehicles (collectively, "Investment Funds"). However, if we purchase an ETF for your account, in most cases your account will incur a commission that will be paid from the assets of your account. Also, all Investment Funds purchased (including money market mutual funds used for investment of cash balances,) will have ongoing expenses that will impact the return received by your account. These ongoing expenses generally include management fees, distribution expenses, 12b-1, shareholder servicing, administrative service and similar fees. Investment Fund charges and expenses are subject to change. We will not necessarily select or recommend the lowest cost Investment Funds available or the least expensive share class of selected Investment Funds.

A detailed explanation of Investment Fund fees and expenses is contained in each Investment Fund's prospectus or other disclosure document. Clients should carefully read each Investment Fund's prospectus/disclosure document.

- *Brokerage and Custodian Fees and Charges.* Clients must establish an account with Pershing LLC or another third-party custodian designated by the client and approved by



us. Unless otherwise approved by us, clients establishing International Client SMA accounts will designate Pershing LLC as the custodian for their accounts. Clients will incur all applicable fees, commissions, charges and expenses of the custodian. These fees, commissions, charges and expenses are established by the custodian, and are subject to change. In addition, the client will incur all applicable brokerage commissions, transaction charges, exchange fees, SEC fees, wire transfer charges, transfer taxes, electronic fund processing fees and other expenses associated with the transactions within the client's account.

*Changes in Our Fee Schedule.* If we are designated as your discretionary investment manager, we will obtain your consent prior to changing the investment management fees applicable to your account. We are not obligated to give clients notice of changes in any fees or charges of third parties, including the custodian or mutual funds purchased for the client's account.

*Account Termination.* If we are designated as your discretionary investment manager, either you or we can terminate the account relationship at any time upon written notice as provided in your investment management agreement with us. If you notify your account's custodian that you are terminating the custodial account linked to your account, we will consider this to also be notice to us of termination of your account with us. If you or we terminate the account and our investment management fees are calculated in advance, we will prorate our investment management fees and the unused portion will be returned to you.

We will have no obligation to recommend or take any actions with regard to the securities, cash or other investments in a terminated account, but we will, at our option, assist you in liquidating assets and in effecting the transfer of assets to a new custodian designated by you.

*Disclosures Regarding Fee Rates.* You should be aware that the fees we charge 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 our annual fees. In performing our responsibilities as your investment manager or investment adviser, we will not necessarily select or recommend the lowest cost alternatives available.

#### **Fees Applicable to our Services Relating to the Lockwood-Sponsored Advisory Products Program**

We are compensated for our investment consulting services relating to the Lockwood-Sponsored Advisory Products Program through "Consultant Fees." Our Consultant Fees are negotiable on a case-by-case basis taking into account various factors and considerations, including the total level of assets invested by the client under the Lockwood-Sponsored Advisory Products Program. The maximum Consultant Fees are 1.5% per year for Lockwood Program SMAs.

In addition to our Consultant Fees, the client will be responsible to pay all other applicable fees under the designated Lockwood product, including Lockwood's Program Fees and Portfolio Manager's fees. For your convenience, the range of Lockwood's Program Fee and the fees payable to the Portfolio Managers on the current approved Portfolio Manager list under the Lockwood-Sponsored Advisory Products Program are described below. However, clients should consult the current Lockwood Wrap Fee Program Brochure for complete and up-to-date information regarding Lockwood's Program Fee and the applicable Portfolio Manager's fees. The total of our Consultant Fees, the Lockwood-Sponsored Advisory Products Program Fee and the Portfolio Managers' fees will not exceed 3.0%.

### **SMAs offered through the Lockwood-Sponsored Advisory Products Program**

Equity and Balanced Portfolios				
Asset Level	Lockwood Program Fee*	Portfolio Manager Fees**	Maximum Consultant Fees	Range of Total Program Fee, Managers' Fees and Consultant Fees
First \$500,000	0.48%	0.25% - 0.66%	1.50%	2.23% - 2.64%
Next \$500,000	0.37%			2.12% - 2.53%
Next \$1,000,000	0.28%			2.03% - 2.44%
Over \$5,000,000	0.25%			2.00% - 2.41%

Fixed Income Portfolios				
Asset Level	Lockwood Program Fee*	Portfolio Manager Fees**	Maximum Consultant Fees	Range of Total Program Fee, Managers' Fees and Consultant Fees
First \$500,000	0.28%	0.25% - 0.66%	1.50%	2.03% - 2.44%
Next \$500,000	0.22%			1.97% - 2.38%
Next \$1,000,000	0.17%			1.92% - 2.33%
Over \$5,000,000	0.12%			1.87% - 2.28%

\* Includes Lockwood's sponsor/advisory fee and the Program Custodian clearing and custody fees.

\*\* Portfolio Manager's fees vary based on the Portfolio Manager(s) selected and, in some cases, on the assets under management. Consult the Lockwood Wrap Fee Program Brochure for information concerning applicable the Portfolio Manager's fees.

The Lockwood Program Fee and our Consultant Fees do not include fees and expenses associated with the underlying pooled investment vehicles (such as mutual funds and exchange-traded funds), which fees and expenses include advisory fees and operational expenses such as transfer agent, distribution (12b-1), shareholder servicing, networking and recordkeeping fees. Your Lockwood-Sponsored Advisory Products Program accounts will bear these fees and expenses as an investor in such pooled investment vehicle and, as a result, will bear higher expenses than if you invested directly in the securities held in the pooled investment vehicle. In addition, there are certain fees and charges that will apply in addition to the Lockwood Program Fee, our Consultant Fee and applicable Portfolio Manager's fees, including costs associated with

the purchase and sale of certain mutual funds and similar securities held in your account, dealer mark-ups, odd-lot differentials, exchange or auction fees, transfer fees, costs for transactions executed other than at the Program Custodian, any fees imposed by the SEC, electronic fund and wire transfers, costs associated with temporary investments of your funds in a cash management account, trust services charges, annual IRA custodial fees, IRA termination fees, custodial fees for prototype pension and profit-sharing plans and Keoghs, custodial fees associated with special events, such as transfer on death, returned check fees and other charges mandated by laws. Also, interest normally will be charged on a negative balance in your account.

Unless otherwise indicated in the Lockwood Wrap Fee Program Brochure, our Consultant Fees, Lockwood's Program Fee and the Portfolio Manager's fees are charged quarterly in advance and assessed at the beginning of each calendar quarter based on the value of the assets under management in the client's Lockwood-Sponsored Advisory Products Program account as of the close of business on the last business day of the preceding quarter. Under certain circumstances described in Lockwood's Wrap Fee Program Brochure, the client is permitted to "household" accounts under the Lockwood-Sponsored Advisory Products Program (but not other accounts with Lockwood, us, Pershing or BBVA Securities Inc.) in determining eligibility for breakpoints in the calculation of Lockwood's Program Fee. Pursuant to the Lockwood-Sponsored Advisory Products Program account documentation, the client authorizes the Program Custodian to deduct our Consultant Fees, the Lockwood Program Fee and applicable Portfolio Manager's fees from the assets in the client's Lockwood-Sponsored Advisory Products Program account(s).

Prior to changing the Consultant Fees applicable to your Lockwood-Sponsored Advisory Products Program accounts, we will provide you with written notice that will specify the date when the change will take effect. The change will take effect automatically on the date specified in the notice, but you can terminate your account by written notice to us and a pro-rata refund of any unearned Consultant Fees will be remitted to you. We are not obligated to give you notice of changes in any fees or charges of third parties, including Lockwood, the Portfolio Managers or any mutual funds or other pooled investment vehicles purchased for your account. Please consult the Lockwood Wrap Fee Program Brochure for information regarding the ability of Lockwood and the Portfolio Managers to institute fee changes.

Our investment consulting agreement with you will terminate upon the termination, for reason, of your agreement with Lockwood relating to the Lockwood-Sponsored Advisory Products Program. In addition, we are permitted to, in our sole discretion, terminate our investment consulting agreement with you by giving you prior notice of termination. In such instances, we will not be liable for any loss incurred by you. Upon termination of our investment consulting agreement with you, we will not be under any obligation to recommend any action with regard to the investments in your Lockwood-Sponsored Advisory Products Program accounts. You will remain liable for all Consultant Fees through the effective date of the termination of our investment consulting agreement, but will prorate our Consultant Fees and the unused portion will be returned to you. Please consult the Lockwood Wrap Fee Program Brochure for information regarding your and Lockwood's rights to terminate your Lockwood-Sponsored

Advisory Products Program agreement and the impact of such termination on Lockwood's and the Portfolio Managers' fees.

### **Our Representative's Compensation**

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

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

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above (see "**Fees and Compensation**"). We do not engage in side-by-side management.

### **Types of Clients**

We provide services to, among others:

- Individuals, including high net worth individuals and including high net worth individuals who are not "U.S. persons"
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Not for profit entities
- Individual retirement plans

### **Minimum Account Size and Account Opening Requirements**

*International Client SMAs.* The minimum investment portfolio size is \$500,000, but in some cases we will permit a client to aggregate related accounts or are willing to accept a lower minimum. We have full discretion to allow or not allow exceptions, however. You must establish a clearing and custody account with a third-party custodian acceptable to us. Currently, the approved third-party custodian for International Client SMA accounts is Pershing LLC (the "Approved International Client Account Custodian"). Our affiliate, BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for Pershing LLC and broker-dealer services relating to the establishment and maintenance of the client's Pershing LLC accounts will be provided by BBVA Securities Inc., and not by us. The provision of brokerage services by BBVA Securities Inc. is subject to all the terms and conditions of the client's BBVA Securities Inc. Customer Agreement.

*Lockwood-Sponsored Advisory Products Program.* Under the Lockwood-Sponsored Advisory Products Program, clients must satisfy minimum account balances. For Lockwood Program SMAs, each Portfolio Manager, including Lockwood if applicable, sets its own account

minimums. Please consult the Lockwood Wrap Fee Brochure for information concerning applicable account minimums.

In connection with participating in the Lockwood-Sponsored Advisory Products Program, clients are required to establish one or more clearing and custody accounts with the Program Custodian and execute Lockwood's typical account opening documentation for the Lockwood-Sponsored Advisory Products Program, including an Investment Advisory Profile and Agreement with Lockwood. Our affiliate, BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for the Program Custodian and broker-dealer services relating to the establishment and maintenance of the client's Lockwood-Sponsored Advisory Products Program accounts will be provided by BBVA Securities Inc., and not by us. The provision of brokerage services by BBVA Securities Inc. is subject to all the terms and conditions of the client's BBVA Securities Inc. Customer Agreement.

In addition, in order to obtain our investment consulting services relating to the Lockwood-Sponsored Advisory Products Program, clients are required to execute an investment consulting agreement with us.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Analysis**

*International Client SMAs (Note: No longer offered to new investors)* -- Consistent with the client's investment objective, we will purchase without distinction between principal and income, mutual funds, exchange-traded funds, and money market mutual funds and including, in each case, both U.S. domestic funds and non-U.S. funds. We will have the authority to determine the asset allocation of the client's account assets based upon, among other considerations, our assessment of current and anticipated economic conditions. Sources used by us in managing International Client SMA accounts include concepts from Modern Portfolio Theory, historical investment performance information calculated by mutual funds, exchange-traded funds and other investment vehicles or providers or provided by other independent sources, fund/ETF prospectuses and periodic reports, third-party research materials, and general asset allocation risk/reward information.

### **Investment Strategies**

*Lockwood-Sponsored Advisory Products Program.* Where appropriate, we recommend that the client's assets be invested through identified portfolios available under Lockwood-Sponsored Advisory Products Program. Lockwood, and not us or BBVA Securities Inc., is responsible for Portfolio Manager due diligence in the Lockwood Program SMAs. We work with the client to obtain from the client information concerning the client's financial situation and investment objectives, including by assisting the client in completing the "Lockwood Investor Profile" questionnaire developed by Lockwood for the Lockwood-Sponsored Advisory Products Program (the "Lockwood Investor Profile") and we assist the client in designating a Lockwood product to pursue client's investment objectives and determine whether the Lockwood product designated by the client is suitable for the client. For Lockwood Program SMAs, we assist the client in selecting a suitable Portfolio Manager or Portfolio Managers and we review

changes in Portfolio Manager(s) requested by the client or instituted by Lockwood for the client's account.

*International Client SMAs* (**Note: No longer offered to new investors**). Based on the information concerning the client's individual financial situation and risk tolerance and our analysis of the other tools and information available to us, we recommend an investment objective for the client. We recommend an individually tailored investment portfolio to assist the client in pursuing the client's identified investment objective. We and our client develop a strategic asset allocation based on the client's individual income needs, risk tolerance and income tax situation as identified by the client in the Personal Investment Information the client provides to us. We evaluate existing investments taking into account their suitability for client's stated objectives and their economic and tax characteristics.

### **Lower Cost Alternatives May Be Available**

In performing our responsibilities as your investment manager or investment adviser, we will not necessarily select or recommend the lowest cost alternatives available.

### **Risk of Loss**

All investments in securities include a risk of loss of a client's principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the managed assets.

Our investment approach takes into consideration the potential risk of loss and seeks to match the investment strategy employed for you with your tolerance for potential fluctuations in markets and incurring losses. Generally, you must invest in securities that have a higher risk of loss in order to obtain a higher potential for long-term gains. There is no guarantee that our investment strategies will meet your objectives or, in any event, protect your assets from the potential for losses. Depending on the types of securities you invest in, you typically face the investment risks described below:

- 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.
- Bond and interest rates have an inverse relationship. For example, when interest rates rise, bond prices fall.
- Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. As a result, investment in junk bonds are known to expose clients to a higher level of volatility and increased risk of default.
- International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which are expected to be greater in emerging markets.

- Investments in stocks of small companies involve additional risks. 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.
- Investments in real estate have various risks including possible lack of liquidity and devaluation based on adverse economic and regulatory changes.
- The price of commodities, such as gold and currency, is subject to substantial price fluctuations of short periods of time and would be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing can lead to higher price volatility.
- In the case of clients that are invested in individual stocks, the client is subject to stock-selection risk and will either outperform or underperform the overall stock market.

In addition, you should note that certain strategies recommended by us will focus primarily on large-capitalization stocks. There is a risk that returns from 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.

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

Below is a brief description of the characteristics of mutual funds, ETFs and money market mutual funds. In the case of both mutual funds and ETFs, investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, can be worth more or less than their original cost. **Past performance is no guarantee of future results.**

It also should be noted that:

- Equity-based funds are subject to risks similar to those of stocks.
- Fixed-income 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.
- 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.

We will not necessarily select or recommend the lowest cost mutual funds, ETFs and money market mutual funds available or the least expensive share class of selected investment vehicles.

### **Offshore Funds**

Typically, we will purchase "offshore," non-U.S. funds ("Offshore Funds"), rather than U.S. mutual funds and ETFs, for International Client SMA accounts. Offshore Funds are similar in many respects to U.S. mutual funds, ETFs and money market mutual funds, as the case may be (see below under "U.S. Funds"), but are not registered as securities in the United States, are

domiciled and operate outside of the United States and are only available to persons and entities that do not qualify as “U.S. Persons” under the U. S. tax laws. The Offshore Funds we will purchase for our clients’ accounts will function very similarly to their U.S. counterparts in terms of structure, investments, operations, risks and costs. In most cases we will utilize various Offshore Funds that are structured similarly to U.S. mutual funds. Accordingly, the purchase and sale of shares for our clients’ accounts will be at the then current net asset value (“NAV”) of the shares as calculated by the applicable fund.

Under some circumstances, we will utilize Offshore Funds that are structured similarly to U.S. exchange-traded funds. In those cases, the purchase of the fund will be an on-going basis and the market determines prices. Investors can buy and sell shares at any time that the markets are open. Accordingly, there is a potential for trading to occur at prices other than the NAV. In addition, typically a brokerage commission will be incurred by affected client in connection with the purchase of shares of exchange-traded funds.

Offshore Funds are not available to U.S. citizens or persons living in the United States and, dependent on the country of domicile of the fund, will not be available to persons who reside in certain countries.

Equity-based Offshore Funds are subject to risks similar to those of stocks. Fixed-income Offshore 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. Offshore 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, can be worth more or less than their original cost.

**Past performance is no guarantee of future results.**

Some exchange-traded funds that seek to track the performance of a 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 index-based exchange-traded funds are lower than the expenses of actively managed funds, which generally have higher management fees and brokerage expenses. However, typically brokerage commissions will be incurred in connection with those transactions.

In some cases, we will purchase shares of Offshore Funds that seek to provide current income while maintaining a stable value per share and liquidity by investing in short-term, high quality money market instruments (“Offshore Stable Value Funds”). While similar in some respects to U.S. money market mutual funds, such Offshore Stable Value Funds will not be subject to the same level of regulations and restrictions applicable to U.S. money market mutual funds. Like a U.S. money market fund, however, there is no assurance that an Offshore Stable Value Fund will be able to maintain a stable value and it is possible to lose money by investing in an Offshore Stable Value Fund.



## U.S. Funds

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

An index-based ETF seeks to track the performance of its corresponding index. Tracking is achieved by some ETFs by replicating the securities in the index and by other ETFs by holding a representative sample of the securities in the index. Normally, the expenses of an ETF are lower than the expenses of actively managed mutual funds because actively managed mutual funds will have higher management fees and brokerage costs. 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, 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.*

## **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**

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See "**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE**" under "**Advisory Business – Our History and Owners.**"*

## **Insurance and Securities Activities**

In some cases, our representatives also represent our affiliates or third parties as insurance agents, broker-dealer representatives, or both. Also, some of our employees are also employed by our parent company, BBVA USA.

Some of our representatives and other employees also sell insurance products, hold licenses as insurance agents of our affiliate, BBVA Insurance Agency, Inc. ("BIA"), and represent one or more unaffiliated insurance product providers. In addition, certain representatives are licensed to sell products of life insurance companies based upon the needs of our clients. This activity is conducted through our insurance agency affiliate, BIA.

Some of our registered representatives and other employees also act as registered representatives of, BBVA Securities Inc. BBVA Securities Inc. is a registered broker-dealer with the SEC and a member of FINRA. The activities conducted by our representatives as insurance agents and broker-dealer representatives of our affiliates, or of unaffiliated firms, create certain conflicts of interest.

*Clients May Open Pershing LLC Accounts Through Our Employees Representing BBVA Securities Inc.* Among other things, BBVA Securities Inc. maintains clearing relationships with Pershing LLC, a BNY Mellon company, and acts as an introducing broker for Pershing LLC. Pershing LLC is not affiliated with us or BBVA Securities Inc. The client's Pershing LLC account will be "fully disclosed," meaning that the client's identity will be disclosed to Pershing LLC.

*Clients May Conduct Unrelated Transactions Through Our Employees Representing BBVA Securities Inc.* In certain instances, clients can use the services of BBVA Securities Inc. for transactions outside of the client's investment management or other account maintained with

us. In those cases, our representatives who are registered representatives of BBVA Securities Inc. will recommend securities, insurance products or other products, and will receive customary commissions or other compensation if such products are purchased through BBVA Securities Inc.

### **International Client SMA Accounts**

#### **Note: International Client SMA Accounts are no longer offered to new investors**

In addition, we have entered into an agreement with Pershing LLC and its affiliate, Lockwood, under which they agree to provide us with a broad range of administrative, technology, securities trading and execution services and support services in connection the International Client SMAs. Among other services, Pershing LLC will serve as clearing agent and custodian for International Client SMA accounts unless otherwise approved by us. Pershing LLC is not affiliated with us. However, our affiliate, BBVA Securities Inc., through its BBVA Investments division, will serve as introducing broker for Pershing LLC, including in connection with the establishment and administration of the client's Pershing LLC account. Generally, we will execute securities transactions for the client's International Client SMA account through Pershing LLC. However, when the transaction cannot be effected through Pershing due to operational, regulatory or other constraints or when we determine that it is appropriate or desirable to do so under the circumstances, certain securities transactions for the client's account will be executed through other brokers or dealers, including BBVA Securities Inc., rather than through Pershing LLC.

### **Lockwood-Sponsored Advisory Products Program**

We provide investment consulting services pursuant in connection with the participation by clients in the Lockwood-Sponsored Advisory Products Program. Lockwood acts as sponsor of the Lockwood-Sponsored Advisory Products Program. Certain aspects of our clients' participation in the designated Lockwood-Sponsored Advisory Products Program will be coordinated through our registered broker-dealer affiliate, BBVA Securities Inc., acting through its BBVA Investments division, in its capacity as introducing broker for the Program Custodian, Pershing. Pershing is an affiliate of Lockwood and a registered broker-dealer. Lockwood and Pershing are not affiliated with us or BBVA Securities Inc. Our services under the Lockwood-Sponsored Advisory Products Program are non-discretionary.

From time to time, we will designate one of our individual representatives to serve as the client's "Consultant." The Consultant will assist the client in connection with the client's participation in the Lockwood product designated by client. Consultant also will be a registered representative of BBVA Securities Inc. In addition to salary and other compensation paid to the Consultant by us, BBVA Securities Inc. or our other affiliates, the Consultant will receive a portion of our Consultant Fees as compensation related to the client's participation in the Lockwood-Sponsored Advisory Products Program.

- In connection with participating in the Lockwood-Sponsored Advisory Products Program, clients are required to establish one or more clearing and custody accounts

with the Program Custodian. BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for the Program Custodian and broker-dealer services relating to the establishment and maintenance of the client's Lockwood-Sponsored Advisory Products Program accounts will be provided by BBVA Securities Inc., and not by us. The provision of brokerage services by BBVA Securities Inc. is subject to all the terms and conditions of the client's BBVA Securities Inc. Customer Agreement.

**Managed Investment Program, International Managed Investment Program and SmartPath Digital Portfolios**

BBVA Securities Inc., through its BBVA Investments division, will serve as introducing broker, and Pershing LLC will serve as clearing broker and custodian for the Managed Investment Program, the International Managed Investment Program and the SmartPath Digital Portfolios. We have entered into an agreement with Pershing LLC and its affiliate, Lockwood, under which they agree to provide us with a broad range of administrative, technology, securities trading and execution services and support services in connection the Managed Investment Program, the International Managed Investment Program and the SmartPath Digital Portfolios, and under which Lockwood agrees to act as portfolio manager for clients participating in Lockwood LIS, Lockwood LAAP and Lockwood AFP under the Managed Investment Program.

In addition, we utilize and expect to utilize the services of a number of financial service firms in connection with the Managed Investment Program, the International Managed Investment Program and the SmartPath Digital Portfolios, including the following:

- The Model Strategies Program and International Model Strategies Program are discretionary asset allocation programs offering clients access to certain model portfolios developed and maintained by "Third-Party Model Strategies," i.e., investment management firms other than us. Third-Party Model Strategists typically include both fully independent third-party manager or one or more of our affiliates. Currently, four independent third-party firms not affiliated with us provide us model portfolios under the Model Strategies Program, namely Morningstar Investment Services, Inc., Russell Investment Management, LLC, WestEnd Advisors, LLC, Lazard Asset Management LLC and Santa Barbara Asset Management, LLC. In the International Model Strategies Program, Franklin Advisers, Inc., a third-party firm not affiliated with us, provides us a model portfolio.
- The Separately Managed Account Program is a discretionary asset allocation program offering clients various investment strategies created and maintained by third-party investment managers ("SMA Managers") not affiliated with us. The strategies in this program are composed mainly of either equity or fixed income securities selected by each SMA Manager. Each SMA Manager will exercise complete discretion over the client's assets including decisions as to which securities to buy and sell, asset allocation and account rebalancing.

- The SmartPath UMA Program is a discretionary asset allocation program in which the client's assets will be invested in equity and/or fixed income mutual funds and ETFs and/or individual equity securities, depending on the strategy selected by the client. We will exercise discretion over the assets in the client's account to correspond, in most cases, with the changes recommended in each strategy by the third-party model strategists. Currently, our affiliate, BBVA USA, serves as the model strategist for the SmartPath UMA Program.
- The SmartPath Transition UMA Program is a wrap fee program in which qualifying clients will have the opportunity, in lieu of opening a typical account under the SmartPath UMA Program, to open a SmartPath Transition UMA. In the case of a SmartPath Transition UMA, a portfolio of "legacy" assets designated by the client will be transitioned, over an identified period of time, into one of the available UMA Model Strategies and, during the transition period, we will provide certain types of limited investment advisory services designed to help effectuate the transition.
- The SmartPath Digital Portfolios are discretionary, asset allocation portfolios offering clients various investment strategies comprised of mutual funds and exchange traded funds selected and managed by Lockwood Advisors, Inc. who will exercise complete discretion over the client's assets including decisions as to which securities to buy and sell, asset allocation and account rebalancing.

**Note: After May 31, 2021, the SmartPath Digital Portfolios Program will no longer be offered to new investors and the Lockwood LIS, Lockwood LAAP and Lockwood AFP will no longer be offered to new investors through our Managed Investment Program.**

### **Banking Activities**

We are a wholly owned subsidiary of BBVA USA. We have various arrangements with BBVA USA under which BBVA USA will refer certain of its clients to us for investment management services. We also provide investment management support and model portfolio recommendations to BBVA USA for BBVA USA's use in the management of certain investment accounts. In addition, BBVA USA currently serves as the model strategist for the SmartPath UMA Program (offered under the Wrap Fee Program Brochure for our Managed Investment Program) and, in such capacity, provides us with recommendations regarding the securities that should comprise each of the model portfolio strategies available under the SmartPath UMA Program.

### **Affiliate Arrangements**

We purchase certain goods and services or obtain administrative, custody, safekeeping and operational support from our direct parent company, BBVA USA or other affiliates of Banco Bilbao Vizcaya Argentaria, S.A. by entering into agreements or arrangements with such affiliate. If deemed appropriate under the circumstances or required under banking laws, we will pay compensation to our affiliates for such goods, services or support. If BBVA USA provides us with goods and services, banking laws generally require that we provide BBVA USA compensation

that is at least as favorable to BBVA USA as the compensation we would pay an unaffiliated third party for similar goods and services in an arms-length transaction.

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See “**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE**” under “**Advisory Business – Our History and Owners.**”*

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

### **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 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 will impose a number of sanctions which it feels is most appropriate for violations of the Code of Ethics.

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

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

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See*

**“IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE” under “Advisory Business – Our History and Owners.”**

#### *Overview; Related Conflicts of Interest*

We or our affiliates, representatives or other related persons may participate in, or have an interest in, transactions conducted by our clients through us or by us on behalf of our clients. At times, our interest or the interest of our related persons will not coincide with the interest of a client’s account. Additional information concerning material conflicts of interest relevant to our services is contained in this section and in “**Personal Trading**” below and elsewhere in this Brochure, including but not limited to under “**Other Financial Industry Activities and Affiliations**” and “**Client Referrals and Other Compensation.**” We have instituted policies and procedures, and other controls, to restrict transactions that may result in either us or any related person receiving an added benefit or advantage over our clients with respect to those transactions.

#### *Relationships Arising from Our Affiliates’ Commercial Banking Activities*

We are a wholly owned, direct subsidiary of BBVA USA, the lead bank subsidiary of BBVA USA Bancshares, Inc., a Texas bank holding company. We also are an indirect subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”), a bank organized under the laws of Spain qualified to engage in business in the United States as a bank holding company and foreign banking organization. BBVA, BBVA USA and their commercial banking and investment banking affiliates, including BSI’s Institutional Division, maintain a variety of banking, financial or service relationships with corporations or other business enterprises which may from time to time issue publicly traded securities (“**BBVA Commercial Clients**”). While we do not act as principal in the

purchase or sale of any securities, our affiliate, BBVA Securities Inc., is a registered broker-dealer that also engages in a wide range of investment banking activities, including underwriting, placement and distribution of corporate and municipal securities. It is possible that we will recommend or purchase a corporate security or municipal security for which BBVA Securities Inc. has participated in underwriting, placing or distributing. However, under federal banking laws applicable to our parent, BBVA USA, we are restricted from purchasing, for an account over which we exercise investment discretion, any security during the existence of any underwriting or selling syndicate for such security, if BBVA Securities Inc. is a principal underwriter of the security, unless such transaction is first approved by appropriate action of our board of directors as being a sound investment for the affected account. BBVA Securities Inc.'s investment sales representatives are not permitted to offer recommendations to customers regarding the purchase or sale of individual stock or other equity securities. In some instances, however, BBVA Securities Inc.'s investment sales representatives may offer customers recommendations concerning bonds and other fixed income securities issued or guaranteed by a BBVA Commercial Client. Because of internal controls maintained within the BBVA Group, recommendations to BBVA Securities Inc.'s brokerage customers, and purchases of securities typically will be made without knowledge of other banking, financial or services relationships between BBVA, S.A., BBVA USA or their commercial banking and investment banking affiliates and BBVA Commercial Clients, and without access to any confidential or material non-public information concerning such BBVA Commercial Clients. In addition, we do not exercise any of the investment discretion granted by our managed account clients to select individual securities, including those issued or guaranteed by BBVA Commercial Clients. Although it is possible that a third-party money manager under our separately managed account program may select securities issued or guaranteed by a BBVA Commercial Client, we do not seek to influence any of the separately managed account managers to select securities issued or guaranteed by BBVA Commercial Clients.

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

#### *Affiliate Relationships*

Our Financial Consultant will also be a registered representative of our affiliate, BBVA Securities Inc., a registered broker-dealer, and, in many cases, also will be a licensed insurance representative of our affiliate, BIA, a licensed insurance agency. In the event you engage in securities and/or insurance product transactions with a Financial Consultant outside of our programs, (a) the Financial Consultant will be acting solely in his or her capacity as In some cases, the Financial Consultant, in his or her capacity as a registered representative of BBVA Securities Inc. and/or a licensed representative of BIA, and not as a registered representative of us and (b) the Financial Consultant and BBVA Securities Inc. and/or BIA, as applicable, will receive compensation in connection with such transactions. In addition, in some cases, the Financial Consultant, in his or her capacity as a licensed insurance agent of BIA, will recommend



to the client fixed annuities or other insurance products. The Financial Consultant will receive compensation in connection with such recommendations. See also below in this section under *“Our Management Personnel and Financial Consultants Serve in Multiple Capacities”* and under **“Client Referrals and Other Compensation.”**

Our parent company, BBVA USA, through its BBVA USA Asset Management and Trust division, also provides investing clients investment management and advisory services and, under some circumstances, our Financial Consultant may determine to refer potential clients to BBVA USA Asset Management and Trust, in which event the Financial Consultant typically will receive referral compensation from BBVA USA. See below under **“Client Referrals and Other Compensation”** for additional information.

Our parent company, BBVA USA, through its BBVA USA 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.

#### *Sources of Additional Potential Compensation*

Under the circumstances described below and elsewhere in this Brochure, 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. This presents a conflict of interest and gives us or our representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

- If BBVA Securities Inc., through its BBVA Investments division, acted as introducing broker in setting up your account with Pershing (other than in the case of the Lockwood-Sponsored Advisory Products Program), BBVA Securities Inc. will be paid a portion of the fees, commissions and other charges imposed by Pershing.
- If you open your account with securities previously purchased through an introducing broker (including BBVA Securities Inc.) or one of its representatives, you already have paid a commission on the purchase to the introducing broker or to one or more of its representatives, or both. Similarly, if you open your account with cash proceeds from the sale of securities through an introducing broker (including BBVA Securities Inc.) or one of its representatives, the introducing broker or one or more of its representatives, or both, 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 (other than in the case of the Lockwood-Sponsored Advisory Products Program), BBVA Securities Inc., our affiliate, will receive commissions if we determine to purchase or sell ETFs for your account.

### *Services to Other Investment Clients*

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

### *Our Management Personnel and Financial Consultants Serve in Multiple Capacities*

Certain of our principal executive officers are also principal executive officers of the parent company, BBVA USA. Our representatives who act as Financial Consultants to clients under our programs are also registered representatives of BBVA Securities Inc. and, in many instances, also will be a licensed insurance representative of our affiliate, BIA, a licensed insurance agency. In some cases, the Financial Consultant, in his or her capacity as a registered representative of BBVA Securities Inc., will recommend to the client mutual funds, variable annuities or other securities products other than those available through our programs. In addition, in some cases, the Financial Consultant, in his or her capacity as a licensed insurance agent of BIA, will recommend to the client fixed annuities or other insurance products. In the event you engage in securities and/or insurance product transactions with a Financial Consultant outside of our programs, (a) the Financial Consultant will be acting solely in his or her capacity as a registered representative of BBVA Securities Inc. and/or a licensed representative of BIA, and not as a registered representative of us and (b) the Financial Consultant and BBVA Securities Inc. and/or BIA, as applicable, will receive compensation in connection with such transactions. See also below under “**Client Referrals and Other Compensation.**”

### **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 and other representatives who act as the liaison for 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 the client's account, or have access to nonpublic information concerning such recommendations. As a result, our Consultants and other representatives who act as the liaison for clients generally will not be Access Persons and, therefore, are not required to pre-clear their personal securities transactions.

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

## **Brokerage Practices**

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See "**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE**" under "**Advisory Business – Our History and Owners.**"*

## **Broker Selection and Trade Allocation**

### *International Client SMA Accounts*

#### **Note: International Client SMA Accounts are no longer offered to new investors**

Pershing LLC (the "Approved International Client Custodian") will serve as the custodian and clearing broker for the client's International Client SMA account. Our affiliate, BBVA Securities Inc. will act as introducing broker for the Approved International Client Custodian, including in connection with the client's International Client SMA account. Pursuant to the account opening documentation, unless otherwise approved by us, the client directs that all securities purchase and sale orders for client's account be directed by us to the Approved International Client Custodian, which shall execute and perform the clearance of same. By directing the use of the Approved International Client Custodian, we are no longer in a position to select broker-dealers on the basis of best execution, or commingle or "batch" orders for purposes of execution with orders for the same securities for other accounts managed by us (other than for other accounts also cleared through Approved International Client Custodian). By directing the use of Approved International Client Custodian to execute transactions for client's account, certain transactions will result in less favorable net prices on the purchase and sale of securities than might be the case if we were to select broker-dealers on the basis of best execution. Notwithstanding the foregoing, we reserve the right to direct trades to a marketplace or broker-

dealer other than the Approved International Client Custodian if it becomes apparent that Approved International Client Custodian is unable to obtain best execution.

Because we and BBVA Securities Inc. are affiliated, we have conflicting interests, loyalties and responsibilities when deciding to direct transactions to BBVA Securities Inc. for execution. Unless permitted by law and approved by the client, in those instances in which BBVA Securities Inc. is the executing broker or dealer for the client's account, BBVA Securities Inc. will act solely as agent in connection with the execution of the transaction and will not charge any commissions, mark-ups or other transaction-based compensation in connection with such transactions. However, any commissions, mark-ups or other costs incurred from third parties in connection with any such transaction will be passed through to the account and incurred by the client.

Transactions for an International Client SMA client and transactions for our other clients generally will be effected independently unless we decide to purchase or sell the same securities for several clients, including an International Client SMA, at approximately the same time. We will be permitted, but not obligated, to combine or "bunch" such orders, to negotiate more favorable commission rates or to allocate equitably among the International Client SMA client and our other clients. This will result in differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

When we believe it is desirable, appropriate and feasible to purchase or sell the same security for a number of our advisory clients (including clients maintaining International Client SMAs and our clients participating in our Managed Investment Program or our International Managed Investment Program) at the same time, we work to aggregate client orders (i.e., block trades) in a way that seeks to obtain more favorable executions, in terms of the price at which the security is purchased or sold and the efficiency of the processing of the transactions. Generally, trades on the same day will be aggregated and executed at the same time.

#### Fund Trades

Mutual funds, exchange-traded fund and money market mutual funds purchased for an International Client SMA accounts (collectively, "Funds") 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 account at net asset value (NAV), without front-end or contingent sales charges). Typically, a commission will be incurred by the client in connection with the purchase or sale of exchange-traded funds ("ETFs"). All or a portion of the commission will be paid to BBVA Securities Inc., our affiliate. Generally, when we make a change in the composition or allocation of a portfolio that contains Funds, the changes will be transmitted electronically to the Approved International Client Account 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 Approved International Account Custodian's typical trade cut-off, block trading and settlement procedures. Funds are subject to additional fees, charges and expenses and the investment of your account's assets in Funds can result in the receipt of additional compensation by us or our affiliates. See above under

**“Fees and Compensation – Fees Applicable to International Client SMAs – Other Fees and Charges.”**

*Lockwood-Sponsored Advisory Products Program Accounts*

Please consult the Lockwood Wrap Fee Program Brochure and, for SMAs offered through the Lockwood-Sponsored Advisory Products Program, the applicable Portfolio Manager’s Form ADV Part 2A disclosure brochure, for information concerning the trading procedures and practices applicable to Lockwood-Sponsored Advisory Products Program accounts.

**Client-Directed Brokerage**

Unless otherwise agreed by us in writing, clients will not have the right to “direct brokerage.”

**Review of Accounts**

**Account Review Procedures**

*International Client SMA Accounts*

**Note: International Client SMA Accounts are no longer offered to new investors**

We will conduct account investment reviews at least once annually. The annual review is used to determine whether, based on the client’s Personal Investment Information, the investment approach and asset mix being used by us or being recommended to the client is consistent with the client’s investment objectives, risk tolerance, cash flow needs, and any other special guidelines that impact the client’s investment allocations.

Occasionally, we perform reviews of investment management accounts in-between scheduled annual reviews when significant changes in the market occur or are anticipated or if we become aware of significant changes in the client’s circumstances.

As part of our annual account review process, we contact our investment management clients to obtain updated information from the client and to discuss any changes in investment approach deemed appropriate, including in light of any changes in the client’s circumstances.

*Lockwood-Sponsored Advisory Products Program Accounts*

For SMAs offered through the Lockwood-Sponsored Advisory Products Program, the client’s Consultant reviews changes in Portfolio Manager(s) requested by the client or instituted by Lockwood for client’s account. The client’s Consultant or another representative of ours will contact the client at least once annually to inquire whether any of the client’s financial information provided in connection with the Lockwood-Sponsored Advisory Products Program, or client’s investment objectives, have changed. In the event the client notifies us of any change in client’s financial information or investment objectives, we will forward such information to Lockwood and the client’s Consultant will work with the client in order to assist the client in determining whether the current Portfolio Manager(s) or model portfolio(s), as applicable, utilized for the client’s account remain suitable and, if applicable, in determining

the suitability for the client of any new Portfolio Manager(s) or model portfolio(s), as applicable.

*Managed Investment Program Accounts, International Managed Investment Program Accounts and SmartPath Digital Portfolios*

For information concerning our account review procedures pertaining to accounts under the Managed Investment Program, International Managed Investment Program and the SmartPath Digital Portfolios, please consult the Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) for each investment program.

**Reports Provided to Clients**

*Periodic Statements Provided by Custodian*

International Client SMAs (Note: No longer offered to new investors). You will receive periodic statements from your designated custodian showing all transactions that occurred in your account during the period covered by the account statement, any fees paid by your account during the period and a list identifying all assets in your account at the end of the period. You will receive these periodic statements on a quarterly basis and for any month in which transactions occur in your account.

Lockwood-Sponsored Advisory Products Program Accounts. If you maintain a Lockwood-Sponsored Advisory Products Program account, please refer to the Lockwood Wrap Fee Program Brochure for a description of the frequency and content of account statements that will be provided for your review.

Managed Investment Program Accounts, International Managed Investment Program Accounts and SmartPath Digital Portfolios Accounts. For information concerning the frequency and content of account statements provided to clients participating in the Managed Investment Program, International Managed Investment Program and the SmartPath Digital Portfolios, please consult the Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) for each investment program.

*Other Reports*

In addition to the periodic statements provided by your designated custodian, we will provide you quarterly written statements showing each security owned and performance data for the period covered by the statement. You should promptly and carefully review the statements provided by your designated custodian and the statements provided by us and, in addition, you should compare the statements provided by your designated custodian and the statements provided by us and promptly notify us in writing of any errors or discrepancies.

**Client Referrals and Other Compensation**

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection*

*with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See “**IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE**” under “**Advisory Business – Our History and Owners.**”*

#### *Referral Arrangements*

We will from time to time enter into solicitor or referral agreements with firms to refer clients to us. Pursuant to these arrangements, firms making referrals will be paid a fee for referring a client. The amount of the fee is disclosed to the affected clients. In addition, under certain circumstances, our employees and employees of our affiliates have the opportunity to refer clients to each other or to unaffiliated third parties. Such referrals can result in the receipt of a referral fee. All of these referral arrangements are conducted in accordance with applicable law and regulation, including Rule 206(4)-3 under the Investment Advisers Act of 1940 (the “Advisers Act”).

The following referral arrangements currently are in effect:

*Interaffiliate Referral Programs.* Our registered representatives have the option to participate in a referral network among our affiliates, including BIA, BBVA, BBVA Securities Inc. and BBVA USA. Under this referral network, our registered representatives receive referral compensation from our affiliates or from BBVA USA in the form of direct payment to the representative or indirect payment, such as the contribution toward fulfillment of the representative’s business development goals. The referral compensation paid to our registered representatives will vary dependent upon the product or service involved. Under no circumstances will the compensation paid for providing referrals result in any additional fees or charges to the client being referred.

*Referrals to Affiliated Bank Trust Department.* Our parent company, BBVA USA, through a separately identifiable division of BBVA USA known as “Asset Management and Trust” (“BBVA USA Asset Management and Trust”), provides trust and fiduciary services, including investment management and advisory services. If our Financial Consultant determines that a potential client is not interested in or would not be best served by participation in our investment programs and believe that the potential client is interested in or more appropriately served through investment services provided by BBVA USA Asset Management and Trust, the Financial Consultant will refer the potential client to a representative of the BBVA USA Asset Management and Trust. In the event that a potential client establishes an investment relationship with the BBVA USA Asset Management and Trust, the referring Financial Consultant typically will receive referral compensation from BBVA USA. The Firm’s affiliation with BBVA USA, and the potential referral compensation with our Financial Consultant receives, represents a conflict of interest in that such factors provide incentives for our Financial Consultants to refer potential clients to the BBVA USA Asset Management and Trust in lieu of unaffiliated service providers. However, the BBVA USA Asset Management and Trust, and not the referring Financial Consultant or the firm, is solely responsible for

determining whether the potential client satisfies the BBVA USA Asset Management and Trust's eligibility criteria and whether to accept the account.

*FinAccess Advisors LLC* – FinAccess Advisors LLC is an independent investment advisory firm not affiliated with us. We have entered into an agreement with FinAccess under which FinAccess will be given the opportunity to refer certain of its clients who are not “U.S. persons” to us for the establishment of International Client SMAs. If we accept the client and the client establishes an International Client SMA account with us, we have agreed to pay FinAccess a referral fee, for so long as the client maintains the International Client SMA account with us, equal to 60% of the periodic, asset-based investment management/advisor fees paid by the client and actually received by us during the immediately preceding quarter. In the event our client directs or requests us in writing to no longer make referral fee payments to FinAccess, our obligation to pay FinAccess referral fees with regard to such client shall cease upon delivery of such notice to FinAccess.

*Compensation of Our Representatives.* Various of our representatives, including the Financial Consultant who serves as the primary contact for your investment management or advisory account(s) with us, as well as representatives of our affiliates BBVA Securities Inc., BIA and BBVA USA who satisfy certain eligibility requirements, will receive incentive, referral and/or other forms of compensation in connection with the opening and maintenance of Program accounts, including all or a portion of the assets-under-management fees received by us (or, in the case of the Lockwood-Sponsored Advisory Products Program, all or a portion of the “Consultant Fee” we receive). This compensation will be more than those employees and representatives would receive in the event you did not establish an account or accounts with us and instead obtained other services offered by us or with other advisers. As a result, those employees and representatives have a financial incentive to recommend our services over other programs and services offered by us or others.

In all cases, our Financial Consultants are also registered representatives of BBVA Securities Inc., a registered broker-dealer, acting through its BBVA Investments division, and licensed representatives of our affiliated licensed insurance agency, BBVA Insurance Agency Inc. (“BIA”). It should be noted that:

- Our Financial Consultants may also recommend to clients and prospective clients securities and brokerage products and services available through BBVA Securities Inc., in which case BBVA Securities Inc. and our Financial Consultant, in his or her capacity as a registered representative of BBVA Securities Inc., will receive compensation if you engage in the recommended securities/brokerage transactions through BBVA Securities Inc.
- Our Financial Consultants may also recommend to clients and prospective clients annuities and other insurance products and services available through BIA, in which case BIA and our Financial Consultant, in his or her capacity as a licensed representatives of BIA, will receive



compensation if you conduct the recommended annuity and other insurance product transactions conducted through BIA.

- As noted above under “Referrals to Affiliated Bank Trust Department,” in some cases our Financial Consultants may determine to refer potential clients to BBVA USA Asset Management and Trust, in which event the Financial Consultant typically will receive referral compensation from BBVA USA.

Our Financial Consultants are “commission-based” and do not earn a regular salary and instead look solely to their compensation under an incentive compensation plan to earn a living. Under the incentive compensation plan, our Financial Consultants are compensated based on their success in generating revenues from selling securities/brokerage products and insurance products through our affiliates and from establishing and maintaining investment advisory accounts through us. These compensation arrangements create conflicts of interest between you as a client and our Financial Consultant, specifically: 1) our Financial Consultant’s compensation depends, in many cases entirely, on whether you establish and maintain an investment advisory account through us or you purchase securities/brokerage and insurance products through our affiliates; 2) our Financial Consultant can earn more by encouraging you to conduct more securities/brokerage and/or insurance product transactions, to invest more dollars and to select products and services that generate a higher level of revenue for us and/or our affiliates; 3) the more revenue our Financial Consultant can generate for us and/or our affiliates, the greater the percentage of the securities, insurance and investment advisory account fees he or she generates that will be paid by to the Financial Consultant; and 4) our Financial Consultant can have an incentive to recommend that you open an advisory account relationship if there is an expectation that you will conduct a limited number of securities/brokerage and/or insurance product transactions.

Designated national, regional and local sales managers are responsible for the direct or indirect supervision of our Financial Consultants and other licensed financial representatives of us, BBVA Securities Inc. and BIA. Sales managers receive compensation that is based, in part, on achievement of production goals that depend upon the revenues generated for us, BBVA Securities Inc. and BIA by the Financial Consultants and other financial representatives who report, directly or indirectly, to the sales manager, including revenues related to Program accounts established with us. This creates a conflict of interest in that a sales manager has an incentive to promote sales activities by Financial Consultants and other financial representatives that help the sales manager in achieving his or her production goals. However, the compensation of sales managers with direct supervisory responsibility for a Financial Consultant or other financial representative also depends on the manager’s effectiveness in supervising the activities of the Financial Consultant or other financial representative, and will be negatively impacted if the Financial Consultants and other financial representatives they supervise are subject to commission holdbacks or other disciplinary actions for inappropriate sales or failures to adhere to the applicable policies and procedures.

See also above under “**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Participation or Interest in Client Transactions**,” including

*“Sources of Additional Potential Compensation” and “Our Management Personnel and Financial Consultants Serve in Multiple Capacities” thereunder.*

## **Custody**

*Note: Until further notice, Pershing and BBVA Securities Inc. will continue to serve as Program Custodian and Introducing Broker-Dealer, respectively, as described in this Brochure following consummation of the PNC Acquisition Transaction; however, it should be noted that, in connection with the PNC Acquisition Transaction BBVA Securities Inc. will be retained by BBVA and will no longer be affiliated with us once the PNC Acquisition Transaction is consummated. See **“IMPORTANT INFORMATION CONCERNING IMPENDING CHANGE”** under **“Advisory Business – Our History and Owners.”***

You will direct that the assets of your investment management accounts be held by a third-party qualified custodian as follows:

*International Client SMA Accounts (Note: No longer offered to new investors).* Clients must establish a clearing and custody account with the Approved International Client Account Custodian. Currently, the Approved International Client Account Custodian is Pershing LLC.

*Lockwood-Sponsored Advisory Products Program Accounts.* Clients participating in the Lockwood-Sponsored Advisory Products Program are required to establish custodian accounts with Pershing, which serves as the custodian and clearing agent for the Lockwood-Sponsored Advisory Products Program.

*Managed Investment Program, International Managed Investment Program and SmartPath Digital Portfolios.* Clients establishing Managed Investment Program, International Managed Investment Program and SmartPath Digital Portfolios accounts are required to establish custodian accounts with Pershing, which serves as the custodian and clearing agent for the Managed Investment Program, the International Managed Investment Program and the SmartPath Digital Portfolios. For additional information, consult the Wrap Fee Program Brochure (Form ADV Part 2A, Appendix 1) for the Managed Investment Program, the International Managed Investment Program and the SmartPath Digital Portfolios, as applicable. **Note: After April 30, 2021, the SmartPath Digital Portfolios Program will no longer be offered to new investors and the Lockwood LIS, Lockwood LAAP and Lockwood AFP products will no longer be offered to new investors through our Managed Investment Program.**

The designated qualified custodian holds all client account assets and provides written account statements to the client directly, at least quarterly, at the client’s address of record. You should promptly and carefully review the account statements provided by the designated custodian. In addition to the account statements provided by the designated custodian, we provide the client with written quarterly performance reports. These performance reports will differ in format from the account statements you receive from the designated custodian, but the information concerning transactions, balances and holdings should be the same. We urge you to compare the

account statements provided by the designated custodian and the performance reports provided by us and promptly notify us in writing if there are any errors or discrepancies.

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.

## **Investment Discretion**

Generally, we accept full investment discretion over our clients' investment management accounts. Prior to our exercise of investment discretion, the client must authorize us to exercise the authority to trade the assets in the client's account for purposes of implementation of our investment management of the account.

In some cases, we do not exercise investment discretion. In the case of SMAs offered through the Lockwood-Sponsored Advisory Products Program, we do not exercise investment discretion and instead provide non-discretionary investment consulting services to the client regarding the client's decision to participate in the Lockwood-Sponsored Advisory Products Program. For SMAs offered through the Lockwood-Sponsored Advisory Products Program, Lockwood is responsible for Portfolio Manager due diligence. The designated Portfolio Manager or Portfolio Managers exercise investment discretion over the client's assets for SMAs offered through the Lockwood-Sponsored Advisory Products Program.

If we do not exercise investment discretion, either you or a third party designated by you have full responsibility for investment decisions. Cash in the client's account will be invested in money market funds until such time as the client provides us with direction as to the investment of the assets. If the client has authorized or directed that our investment management fees will be paid from the assets of the client's account, we retain the authority, however, to sell securities within the client's account, and to determine the order in which securities shall be sold, to pay our investment management fees when due.

## **Voting Client Securities (i.e., Proxy Voting)**

We recognize that proxy voting is an important right of shareholders and reasonable care and diligence must be undertaken to ensure that such rights are properly and timely exercised in those instances in which we have been delegated authority to vote proxies.

The level of discretion and authority that we exercise over proxy voting will depend on the nature of your account and the terms of your investment management agreement with us.

### *Lockwood-Sponsored Advisory Products Program*

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

### *International Client SMA Accounts (Note: No longer offered to new investors)*

We generally accept discretion to vote proxies on behalf of clients. However, our clients are permitted to withhold this authority or place reasonable restrictions on our proxy voting authority. If the client retains the authority to vote proxies, the Approved International Client Account Custodian will be responsible to forward proxies to the client and we will have no authority or responsibility to vote proxies or determine whether or how to respond to any corporate action request, and all such authority and responsibility shall reside with the client.

### *Managed Investment Program, International Managed Investment Program and SmartPath Digital Portfolios*

For information concerning proxy voting responsibilities and procedures pertaining to Managed Investment Program, International Managed Investment Program and SmartPath Digital Portfolios accounts, you should consult the applicable Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1).

In those cases, in which we exercise voting authority, one of our investment analysts will review each proxy voting matter. The investment analyst will determine if a conflict of interest exists between the interests of the client and our interests (including, for example, due to a relationship between us or our directors, officers, employees or affiliates and an issuer of a security or the issuer's affiliates). If a material conflict of interest is identified, we will determine whether it is appropriate to disclose the conflict of interest to the client or to give the client the opportunity to vote the proxy directly, or both.

We have adopted written proxy voting policies and procedures to comply with the provisions of Rule 206(4)-6 under the Investment Advisers Act of 1940 (the "Advisers Act"). These policies and procedures are reasonably designed to ensure that, when exercising discretion over proxy voting, we vote client securities in the best interest of our clients. In general, we will vote in favor of routine corporate housekeeping proposals such as the election of directors and auditors absent known conflicts of interest. We will generally vote against proposals that cause board members to become entrenched or create unequal voting rights. In voting on proposals, we will consider the opinion of management of the company and the effect on management and shareholder value.

You may obtain copies of our proxy voting policies and procedures, including applicable voting guidelines, and records of how we have voted proxies affecting your account by calling us at 713-552-9277 or 800-538-8152.

### **Financial Information**

We do not serve as a custodian of client funds or securities, and do not require prepayment of fees of more than 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.

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

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