

# CPA Asset Management Group, LLC Blue Ocean Capital Client Brochure

*This brochure provides information about the qualifications and business practices of Blue Ocean Capital. If you have any questions about the contents of this brochure, please contact us at (561) 659-3301 or by email at: Mark@BlueOceanCPA.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Blue Ocean Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Blue Ocean Capital's CRD number is: 107833*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Blue Ocean Capital has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

## Item 3: Table of Contents

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

This firm has been in business since October 13, 1997, and the principal owners are Mark Bradley Elhilow, CPA and Ronald Gregory Smith, CPA.

### **B. Types of Advisory Services**

Blue Ocean Capital (hereinafter "BOC") offers the following services to advisory clients:

#### ***Investment Supervisory Services***

BOC offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. BOC creates an Investment Policy Statement for each client, which outlines the client's current situation (financial position, liquidity needs, time horizon, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

BOC evaluates the current investments of each client with respect to their liquidity needs, risk tolerance levels and time horizon. BOC will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Selection of Other Advisors***

BOC may direct clients to third party money managers. Before selecting other advisors for clients, BOC will always ensure those other advisors are properly licensed or registered as investment advisors.

#### ***Financial Planning***

Financial planning services cannot be purchased separately. However, basic financial planning services are provided in connection with the development of each client's investment policy statement. Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or

hourly fees and the final fee structure is documented in the Financial Planning Agreement.

### ***Services Limited to Specific Types of Investments***

BOC limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, hedge funds, third party money managers, REITs, private placements, and government securities. BOC may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

BOC offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (financial position, liquidity needs, time horizon, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent BOC from properly servicing the client account, or if the restrictions would require BOC to deviate from its standard suite of services, BOC reserves the right to end the relationship.

### **D. Wrap Fee Programs**

BOC does not participate in any wrap fee programs.

### **E. Amounts Under Management**

BOC has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$298,219,000.00	\$9,063,000.00	12/31/2011

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
First \$1,500,000	1.00%
Next \$1,000,000	0.70%
Next \$2,500,000	0.50%
Above \$5,000,000	0.30%

These fees are negotiable and the final fee schedule is attached in the Investment Advisory Contract. Fees are paid quarterly in arrears, and clients may terminate their contracts with immediate written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Family Office and Financial Planning Fees*

##### *Fixed Fees*

Fees for Family Office Services are negotiated with the client for each Family Office relationship. Fees for Family Office Service are generally fixed but can also be included as part of the client's Investment Advisory Fees. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. The fees are negotiable and the final fee schedule will be attached in the Family Office, Advisory or Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

##### *Hourly Fees*

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$100 and \$240. The fees are negotiable and the final fee schedule will be attached in the Family Office, Advisory or Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in

arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears.

Advisory fees may also be invoiced and billed directly to the client with payments due upon receipt of invoice. Clients may select the method in which they are billed.

### ***Payment of Family Office and Financial Planning Fees***

Hourly Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

Fixed Family Office and Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by BOC. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

BOC collects its fees in arrears. It does not collect fees in advance.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither BOC nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

BOC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.



## Item 7: Types of Clients

BOC generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### *Minimum Account Size*

There is an account minimum, \$1,000,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

BOC's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. BOC uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Investment Strategies*

BOC uses long term trading, short term trading and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold : 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

Stocks, bonds and mutual funds all carry various levels of investment, business, credit, interest rate, re-investment and market risks.

BOC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it

will utilize options writing which generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither BOC nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither BOC nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Ronald Gregory Smith and Mark Bradley Elhilow are Managing Members and James Wesley Johnson is an employee of Elhilow, Smith & Co., LLC (an affiliated CPA firm). From time to time, they will offer clients advice or provide services from those activities. BOC always acts in the best interest of the client. Clients are in no way required to implement recommendations made by any representative of BOC in their capacity as a certified public accountant.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

BOC may direct clients to third party money managers. BOC will always act in the best interests of the client, including when determining which third party manager to recommend to clients. BOC will ensure that all recommended advisors or managers are licensed or notice filed in the states in which BOC is recommending them to clients.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

BOC does not recommend that clients buy or sell any security in which a related person to BOC has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of BOC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BOC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. BOC will always document any transactions that could be construed as conflicts of interest.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of BOC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BOC to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. BOC will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### **1. *Research and Other Soft-Dollar Benefits***

BOC receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### **2. *Brokerage for Client Referrals***

BOC receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

BOC allows clients to direct brokerage. BOC may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage BOC may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

BOC maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly by Mark B. Elhilow, R. Greg Smith and/or James W. Johnson. The chief advisors are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at BOC are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Mark B. Elhilow, R. Greg Smith and/or James W. Johnson. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

The Custodian provides statements on a monthly basis while BOC provides reports generated by their office to clients on a quarterly basis (or in limited situations on a semi-annual basis, as agreed to by the client).

Financial Planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

BOC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to BOC clients.

### **B. Compensation to Non -Advisory Personnel for Client Referrals**

BOC does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

BOC representatives may enter into agreements with certain clients to serve in a fiduciary capacity (e.g., as a trustee or executor) on a limited basis. BOC representatives may also be deemed to have custody of certain Family Office bank accounts pursuant to agreements with specific clients which require disbursement authority for these bank accounts as part of the Family Office operations.

## **Item 16: Investment Discretion**

For those clients' accounts where BOC provides ongoing supervision, the client has given BOC written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides BOC discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

## **Item 17: Voting Client Securities (Proxy Voting)**

BOC will accept voting authority for client securities in certain cases. When BOC does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. BOC maintains predetermined voting guidelines to determine the appropriate course of action in voting client securities that it believes are in the best interest of the client. Clients may direct BOC on how to vote client securities by communicating their wishes in writing or electronically to BOC. When voting client proxies the Voting Officer will always hold the interests of the clients above BOC's own interests. Clients of BOC may obtain the voting record of BOC on client securities by contacting BOC at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of BOC's proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

BOC does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither BOC nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

BOC has not been the subject of a bankruptcy petition in the last ten years.