

# Wrap Fee Program Brochure

December 2, 2013

## **OceanIQ Capital Wrap Fee Program**

Sponsored By

**OceanIQ Capital, LLC**

This brochure provides information about the qualifications and business practices of OceanIQ Capital, LLC (hereinafter "OceanIQ Capital"). If you have any questions about the contents of this brochure, please contact Kai Chen at (415) 229-9000 . 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 OceanIQ Capital is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

OceanIQ Capital is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## Item 2. Material Changes

In this Item, OceanIQ Capital is required to discuss any material changes that have been made to the brochure since the last annual amendment filed. As this brochure has been prepared in connection with the firm's initial launch, there are no material changes to disclose.

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## Item 4. Services, Fees and Compensation

The OceanIQ Capital Wrap Fee Program (the “Program”) is an investment advisory program sponsored by OceanIQ Capital, which began conducting business as an SEC registered investment adviser in October 2013.

This Wrap Brochure describes the business of OceanIQ Capital as it relates to clients receiving services through the Program. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of OceanIQ Capital’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on OceanIQ Capital’s behalf and is subject to OceanIQ Capital’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with OceanIQ Capital setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). Clients must also open a new securities brokerage account and complete a new account agreement with Pershing, LLC through Pershing Advisor Solutions (“*Pershing*”) or another broker-dealer OceanIQ Capital approves under the Program (collectively “*Financial Institutions*”).

The firm tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. OceanIQ Capital consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify OceanIQ Capital if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if the firm determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the firm’s management efforts.

Under the Program, the firm may also offer clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- Cash Flow Analysis
- Asset Allocation

## OceanIQ Capital, LLC Wrap Brochure

- Retirement Planning
- Estate Planning
- Investment Consulting
- Business Planning
- Education Planning
- Tax Minimization Strategies

In performing these services, OceanIQ Capital is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

The firm may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage OceanIQ Capital to provide additional services. Clients are under no obligation to act upon any of the recommendations made by the firm as part of financial planning or consulting services or to engage the services of any such recommended professionals, including the firm itself. Clients are advised that it remains their responsibility to promptly notify OceanIQ Capital of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising the firm's previous recommendations and/or services.

### **Fees for Participation in the Program**

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OceanIQ Capital provides wealth management services through the Program for an annual fee based on the amount of assets under the firm's management. The fee varies between 50 and 175 basis points (0.50% – 1.75%), depending upon the size of a client's portfolio, the type of services rendered and whether the fee charged by an independent investment manager ("*Independent Manager*") is included. Certain legacy clients may be subject to a different fee schedule. The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by OceanIQ Capital on the last day of the previous billing period.

For the initial term of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

### **Fee Discretion**

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OceanIQ Capital, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and *pro bono* activities.

## Account Additions and Withdrawals

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Clients may make additions to and withdrawals from their account at any time, subject to the firm's right to terminate an account and subject to the usual and customary securities settlement procedures. Additions may be in cash or securities provided that the firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets will be prorated to reflect the change in portfolio value.

OceanIQ Capital designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. The firm may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## Fee Comparison

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A portion of the fees paid to OceanIQ Capital are used to cover the securities brokerage commissions and transactional costs.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, the commissions charged for each transaction, and other transaction costs determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## Fee Debit

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Clients generally provide OceanIQ Capital with the authority to directly debit their accounts for payment of the firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to OceanIQ Capital. Alternatively, clients may elect to have the firm send them an invoice for direct payment.

## Additional Fees and Expenses

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In addition to the firm's fee, clients may also incur certain charges (other than transaction costs) imposed by third parties. Such charges may include, but are not limited to, charges imposed directly by a mutual fund, index fund, or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees imposed by variable annuity providers and disclosed in the annuity contract, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## Compensation for Recommending the Program

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OceanIQ Capital has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

## Item 5. Account Requirements and Types of Clients

### No Minimum Requirements

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OceanIQ Capital does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than the firm. In such instances, OceanIQ Capital may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

### Types of Clients

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OceanIQ Capital provides its services primarily to individuals, trusts, estates, charitable organizations, corporations and other business entities.

## Item 6. Portfolio Manager Selection and Evaluation

### Wealth Management Services

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As discussed above, OceanIQ Capital provides clients with wealth management services which generally include financial planning services as well as the discretionary or non-discretionary management of investment portfolios.

The firm primarily allocates client assets among mutual funds, exchange-traded funds ("ETFs"), individual equity securities, fixed income and various *Independent Managers*. In addition, OceanIQ Capital may recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds, private equity funds, etc.). Where appropriate, the firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may engage OceanIQ Capital to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, OceanIQ Capital directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

The firm tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. OceanIQ Capital consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify OceanIQ Capital if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if the firm determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, OceanIQ Capital may select certain *Independent Managers* to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an *Independent Manager* are set forth in a separate written agreement between the designated *Independent Manager* and either OceanIQ Capital or the client.

OceanIQ Capital evaluates various information about each *Independent Manager* it chooses, which may include public disclosure documents, materials supplied by the *Independent Managers* themselves and/or other third-party analyses it believes are reputable. To the extent possible, the firm seeks to assess the *Independent Managers'* investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. OceanIQ Capital also seeks to take into consideration each *Independent Manager's* management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

OceanIQ Capital provides services relative to the discretionary selection and/or non-discretionary recommendation of the *Independent Managers*. The firm monitors the performance of those accounts being managed by *Independent Managers* on an ongoing basis, and seeks to ensure the strategies and target allocations utilized remain aligned with its clients' investment objectives and overall best interests.

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

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The firm does not currently provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Investment Strategies and Methods of Analysis**

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OceanIQ Capital utilizes various methods of analysis to analyze investments for clients including, but not limited to, fundamental analysis. The firm focuses on income generation, and balances this against each client's risk tolerance. OceanIQ Capital looks at top-down, macro trends that affect client investments. The firm analyzes the sustainable competitive advantage of investments as well as the reduction of downside risk.



Fundamental analysis involves the fundamental financial condition and competitive position of a company. OceanIQ Capital will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Specifically, as stated above, the firm primarily allocates client assets among mutual funds, ETFs, individual equity securities, fixed income and various *Independent Managers*. In addition, OceanIQ Capital may recommend that clients who qualify as accredited investors invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds, private equity funds, etc.).

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

#### *Market Risks*

The profitability of a portion of OceanIQ Capital's recommendations may depend to a great extent upon correctly assessing the future course of price movements of bonds and other securities. There can be no assurance that OceanIQ Capital will be able to predict those price movements accurately.

#### *Use of Independent Managers*

As stated above, OceanIQ Capital may recommend the use of *Independent Managers*. In these situations, the firm continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the *Independent Managers'* ability to successfully implement their own investment strategies. In addition, OceanIQ Capital generally may not have the ability to supervise the *Independent Managers* on a day-to-day basis.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees,

redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Private Collective Investment Vehicles*

OceanIQ Capital may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. The client will receive a private placement memorandum and/or other documents explaining such risks.

### **Voting Client Securities**

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OceanIQ Capital is required to disclose if it accepts authority to vote client securities. The firm does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

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

In this Item, OceanIQ Capital is required to describe the type and frequency of the information it communicates to the *Independent Managers* managing its clients' investment portfolios.

Clients participating in the Program generally grant OceanIQ Capital the authority to discuss certain non-public information with the *Independent Managers* engaged to manage their accounts. Depending upon the specific arrangement, the firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. OceanIQ Capital may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the *Independent Managers*' investment

decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

### Item 8. Client Contact with Portfolio Managers

In this Item, OceanIQ Capital is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. Clients can generally contact the *Independent Managers* managing their portfolios through OceanIQ Capital by providing the firm with a written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request, OceanIQ Capital, at its sole discretion, may contact the *Independent Managers* for the client or arrange for the *Independent Managers* and the client to communicate directly.

### Item 9. Additional Information

#### Disciplinary Information

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OceanIQ Capital has not been involved in any legal or disciplinary events that require disclosure and are material to a client's evaluation of its advisory business or the integrity of its management.

#### Other Financial Industry Activities and Affiliations

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##### *Relationship with San Francisco Sentry*

OceanIQ Capital has entered into an arrangement with San Francisco Sentry ("*SF Sentry*") under which OceanIQ Capital is provided with access to *SF Sentry's* open-architecture family office and wealth management platform. The firm's Managing Member, Kai Chen, is also a Managing Director at *SF Sentry*. This relationship allows OceanIQ Capital to leverage *SF Sentry's* network of third-party service providers for a variety of matters related to technology, separate account management, research, compliance support, portfolio accounting, performance reporting and other related functions.

In addition, certain of the firm's *Supervised Persons* are registered representatives of S F Sentry Securities, Inc. ("*SF Sentry Securities*"), and may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. *Supervised Persons* may be entitled to a portion of the brokerage commissions paid to *SF Sentry Securities*, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Prior to effecting any transactions, clients are required to enter into a separate account agreement with *SF Sentry Securities*. OceanIQ Capital does not receive any portion of the commissions or transactional fees charged to *SF Sentry Securities*.

A conflict of interest exists to the extent that OceanIQ Capital recommends the purchase of securities where OceanIQ Capital's *Supervised Persons* receive commissions or other additional compensation as a result of the firm's recommendations. The firm has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

### *Licensed Insurance Agents*

Certain of OceanIQ Capital's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that OceanIQ Capital recommends the purchase of insurance products where the firm's *Supervised Persons* receive insurance commissions or other additional compensation.

### **Code of Ethics**

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OceanIQ Capital has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. OceanIQ Capital's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the firm or any of its *Supervised Persons*, and the trading of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of OceanIQ Capital's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the firm's *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact OceanIQ Capital to request a copy of its *Code of Ethics*.

### Account Reviews

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For those clients to whom OceanIQ Capital provides wealth management services, the firm monitors those portfolios as part of an ongoing process to better position the client towards meeting their financial goals. Regular, account reviews of wealth management client portfolios are conducted on a quarterly basis by one of the firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with OceanIQ Capital and to keep the firm informed of any changes thereto. OceanIQ Capital contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from OceanIQ Capital and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from OceanIQ Capital or an outside service provider.

### Client Referrals

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If a client is introduced to OceanIQ Capital by either an unaffiliated or an affiliated solicitor, OceanIQ Capital may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from the firm's investment management fee, and does not result in any additional charge to the client. If the client is introduced to OceanIQ Capital by an unaffiliated solicitor, the solicitor provides the client with a copy of the firm's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of OceanIQ Capital discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the firm's written disclosure brochure at the time of the solicitation.

## Receipt of Economic Benefit

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OceanIQ Capital may receive from a *Pershing* without cost to OceanIQ Capital, computer software and related systems support, which allow the firm to better monitor client accounts maintained at *Pershing*. OceanIQ Capital may receive the software and related support without cost because the firm renders investment management services to clients that maintain assets at *Pershing*. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit OceanIQ Capital, but not its clients directly. In fulfilling its duties to its clients, OceanIQ Capital endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the firm’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence OceanIQ Capital’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, OceanIQ Capital may receive the following benefits from *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Pershing Advisor Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## Financial Information

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OceanIQ Capital is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years

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