

**SQN Institutional LLC**  
**110 William Street, 26<sup>th</sup> Floor**  
**New York, NY 10038**

**Firm Brochure**

**September 8, 2014**

All the material within this Brochure must be reviewed by those who are considering becoming a client of SQN Institutional LLC (“SQN Institutional” or “Registrant”). This Brochure provides information about the qualifications and business practices of SQN Institutional LLC.

If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer, Richard Vecchiolla at 212-422-2165 x212 or rvecchiolla@sqn-i.com.

In accordance with federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities as required. The information provided within this Brochure is not to be construed as an endorsement or recommendation by state securities authorities in any jurisdiction within the United States, or by the United States Securities and Exchange Commission (the “SEC”).

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

SQN Institutional LLC is registered as a registered Investment Adviser with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an Investment Adviser does not imply any level of skill or training.

The oral and written communications of an Investment Adviser provide you with information with which you determine whether to hire or retain them as an Investment Adviser. Additional information about SQN Institutional LLC also is available on the SEC’s Web Site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please read and understand the entire Brochure as responses to certain Items also may respond to or provide additional or fuller information regarding responses to other Items.

## **Item 2 – Material Changes**

The discussion in this Item 2 is limited to a summary of the material changes from SQN Institutional's initial Brochure dated May 16, 2014.

The following information is furnished to update the information contained in SQN Institutional's Brochure dated May 16, 2014:

- SQN Institutional acquired assets under management of approximately \$39.7 million;
- SQN Institutional began managing assets directly, and as sub-advisor, for insurance companies and other institutional accounts; and
- SQN Capital Management is not a related person to SQN Institutional.

A copy of our Brochure may be obtained, free of charge, by request to our Chief Compliance Officer, Richard Vecchiolla, at [rvecchiolla@sqn-i.com](mailto:rvecchiolla@sqn-i.com) or 212-422-2165 x 212.

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**Part 2A, Appendix 1: The “Wrap Brochure”** - SQN Institutional LLC does not sponsor a wrap fee program. Therefore, Part 2A, Appendix 1 is not applicable.

#### **Item 4 – Advisory Business**

SQN Institutional LLC, a Delaware limited liability company, was formed in December, 2013 to provide management services to insurance companies and institutional accounts. In addition to providing management services directly to its clients, SQN Institutional acts as a sub-advisor to other investment managers and their respective clients, and may select and retain sub-advisors which provide SQN Institutional's clients with exposure to various investment strategies. The primary strategies that SQN Institutional utilize or may in the future utilize on behalf of SQN Institutional's investors are identified below (each, a "Strategy"):

1. Direct Asset-Based Investing: including equipment leases and other asset financings; and
2. Structured Credit: including Collateralized Loan Obligations ("CLOs") and Collateralized Swap Obligations ("CSOs").

SQN Institutional provides investment management services (i) directly to an insurance company and (ii) as sub-advisor to a registered investment advisor managing investments on behalf of an insurance company and intends to provide similar services, directly and indirectly, to other insurance companies and institutional clients in the future. SQN Institutional only manages assets which are the subject of its management and sub-advisory agreements, and does not consider the client's other assets and other obligations (subject to "Additional Services" described below). SQN Institutional receives authority to supervise and direct the investment of the assets on a discretionary basis in accordance with the clients' written objectives and limitations as outlined in each individual client's Investment Management Agreement or Sub-Advisory Agreement, as applicable, and may, in the future, supervise and direct the investment of assets on a non-discretionary basis. Clients may impose restrictions or limitations on investing in specific securities, specific types of securities, or specific strategies. Additionally, SQN Institutional may provide investment management services utilizing strategies and asset types outside of the two primary Strategies described herein to the extent consistent with an individual client's Investment Management Agreement or Sub-Advisory Agreement, as applicable.

##### *Direct Asset-Based Investing:*

SQN Institutional makes direct investments in assets and equipment subject to leases or other financing arrangements, as well as investments in equity, debt, or debt-like instruments that are secured by equipment and/or assets, and related revenue streams. This Strategy generally focuses on equipment and assets with the following characteristics; although not all investments meet all of the below criteria as each investment is individually underwritten and takes numerous additional factors into consideration:

- Assets and equipment that are considered business-essential;
- Revenue-producing or cost-saving equipment and assets;
- Assets and equipment with substantial economic life relative to the investment term;
- Assets and equipment with associated revenue streams;
- Assets and equipment with high in-place value; and

- Asset-intensive project financings.

SQN Institutional concentrates on transaction sizes below \$20.0 million, in particular in areas with limited competition so that it may be selective in its investments. SQN Institutional focuses on identifying equipment and other assets that are considered essential use or core to a business or operation in the agricultural, energy, environmental, medical, manufacturing, technology, and transportation industries and may also identify other assets or industries that meet its investment objectives. SQN Institutional employs this strategy globally with a focus on the United States and Western Europe.

#### *Structured Credit:*

SQN Institutional invests on behalf of SQN Institutional's clients in corporate credit primarily through securitizations of fixed-income assets, such as CLOs and CSOs (described below). SQN Institutional invests primarily in rated debt instruments (by one or more nationally recognized statistical rating organizations ("NRSROs")) privately placed under Rule 144A.

This Strategy focuses on investments in two main varieties of credit investments, in accordance with clients' objectives and limitations:

- Collateralized Loan Obligations (CLOs) – CLOs are a form of securitization where payments from multiple (in most cases) high-yield or middle-market corporate borrowers are pooled together and passed on to different classes of owners in various tranches, most of which are rated by an NRSRO.
- Collateralized Swap Obligations (CSOs) – CSOs are a variation of a CLO that generally use credit default swaps and other derivatives to achieve its investment goals. The value and payment stream of a CSO is derived not from borrower payments on loans, but from premiums paid for credit default swap protection on some defined set of reference securities that unlike CLOs are predominantly highly-rated (investment grade) corporate entities.

#### Consulting Services

SQN Institutional also provides advice for consulting fee to insurance companies, their affiliates and other institutional clients, including, without limitation, advice on matters such as overall asset allocation and/or portfolio optimization based on: i) stated investment guidelines and/or ii) risk-based capital guidelines. SQN Institutional also intends to provide consulting services related to development and implementation of firm-wide investment policies and programs, such as derivative use plans.

SQN Institutional also intends to provide flat-fee consulting services (“Flat Fee-based Consulting”) to clients including, without limitation, providing advice on matters related to financing arrangements, financial modeling, and documentation.

At any specific point in time, depending on perceived or anticipated market conditions or events, (there being no guarantee that such anticipated market conditions or events will occur), SQN Institutional may maintain cash positions for defensive purposes. All cash positions, including investments in money market funds, shall generally be included as part of assets under management for purposes of calculating SQN Institutional’s advisory fee.

SQN Institutional provides a copy of ADV Part 2 to every client and a copy will be provided to any prospective client upon request.

As of August 29, 2014, SQN Institutional managed approximately \$39.7 million in assets with discretionary authority.

SQN Institutional is owned 33 1/3% by each of the following: Ulu Capital & Consulting LLC (“Ulu Capital”), Rendezvous Capital LLC (“Rendezvous”) and Aurora Structuring Advisors LLC (“Aurora”). Heather Quinn Molloy controls Ulu Capital, Michael Minnich controls Rendezvous and Richard Vecchiolla controls Aurora.

SQN Institutional does not participate in wrap fee programs.

## **Item 5 – Fees and Compensation**

All fees are subject to negotiation. Among other things, certain factors SQN Institutional considers are the size of the account, the type of assets managed and the nature of the services provided. Fees and compensation may be comprised of investment advisory fees, base management fees, performance or incentive fees and consulting fees. The manner in which fees are charged by SQN Institutional are set forth in each Client’s respective written Investment Management Agreement.

SQN Institutional charges a base management fee (the “Base Fee”) for investment advice. Generally, Base Fees range from 0.15% to 1.00% per year on the principal amount of the assets managed by SQN Institutional, paid monthly in arrears. Base Fees are invoiced directly to clients.

In addition to Base Fees, for certain clients that are exempt from the compensation prohibition of section 205(a)(1) of the Investment Advisers Act of 1940, SQN Institutional may charge performance fees (“Incentive Fees”). Incentive Fees accrue on a Strategy-by-Strategy basis when returns on investments expressed on a percentage basis (“Returns”) exceed an agreed upon hurdle rate for such Strategy (the “Hurdle Rate”). Hurdle Rates will be individually negotiated with each client and are expected to range from 5% to 9% per annum, depending on the Strategy. Incentive Fees are generally paid to SQN Institutional within 30 days after the end of each calendar year. Incentive Fees are structured in accordance with Section 205(a) of the Investment Advisers Act of 1940 and the rules and regulations promulgated thereunder. Fees, in general, may vary and in

some cases may be negotiable and may be payable more or less frequently depending upon the Client and the arrangement.

Generally, SQN Institutional does not require prepayment of fees unless otherwise permitted under the Investment Management Agreement. If prepayment were provided for, SQN Institutional would rebate a proportionate amount of the prepaid fees to the client in the event of a termination of its management services.

#### Expenses Charged to Investors

SQN Institutional's clients may pay, in addition to Base Fees and Incentive Fees, such other expenses as are agreed between SQN Institutional and the client in the Investment Management Agreement. Such expenses may include, without limitation, fees, costs and expenses relating to the acquisition and disposition of assets, investment-related expenses, indebtedness expenses, taxes, fees and other governmental charges, auditing and tax preparation expenses, custodial expenses, professional fees, fees and expenses of accountants and counsel, litigation and indemnity costs and other extraordinary expenses.

Although SQN Institutional does not generally use the services of broker-dealers for the purpose of executing investments on behalf of its clients, in the event that it chooses to use a broker-dealer for limited purposes relating to an investment on behalf of a client, such client will incur brokerage and other transactional costs.

Supervised persons of Registrant may receive consulting and/or similar one-time fees from third parties. Conflicts of interest may arise relating to client investments in third parties who have paid such consulting fees.

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

SQN Institutionals's typical incentive performance fees and the way they are determined are described above under Item 5. "*Fees and Compensation.*"

Clients should be aware that performance-based fee arrangements may create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as SQN Institutional may also have clients who do not pay performance-based fees, SQN Institutional may have an incentive to favor accounts that do pay such fees because the compensation it receives from these clients is more directly tied to the performance of their accounts.

SQN Institutional addresses such conflicts by ensuring that all clients receive fair and equitable

allocations in accordance with their respective objectives, including, without limitation, their investment guidelines, yield and rating targets, maturity profiles and desired subordination levels.

The receipt of performance-based compensation creates a potential conflict of interest between Registrant's interest to generate revenue for itself and the interests of clients. Specifically, performance-based compensation may create an incentive for Registrant to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. Performance-based compensation may also create an incentive to favor higher fee paying clients when allocating investment opportunities.

SQN Institutional's performance-based fees are paid in accordance with the requirements of the Advisers Act. Such fees are fully disclosed and are generally paid only after the client has achieved a specified return for a given Strategy. Registrant seeks to mitigate this conflict through full disclosure and its allocation policy, described below.

"Side by side" management refers to the simultaneous management of multiple clients which follow similar, complementary or competing investment objectives, policies or strategies. Side by side management gives rise to potential or actual conflicts of interest, including as discussed above the incentive to favor higher fee paying clients or clients in which Registrant or its related persons have a pecuniary interest. Registrant has adopted a trade allocation policy designed to mitigate this conflict by seeking to allocate in a manner deemed fair and equitable over time in order to construct a well-diversified fully invested portfolio, consistent with client guidelines. Pro rata allocation of opportunities cannot be guaranteed and allocation decisions are driven by a number of factors including client-specific investment guidelines, targeted returns, maturity profiles, the overall risk profile of the portfolio, nature and target size of positions, specific capital constraints including available cash, as well as market conditions and performance. In certain circumstances, Registrant may give special consideration to new clients and or a client with a substantial amount of cash to deploy or a need to raise cash. Clients that receive such a priority relative to other clients may have been seeded by Registrant or an affiliate. Accordingly, Registrant's allocation decisions will affect performance and certain clients may not participate in gains or losses realized by other clients with similar investment objectives. Further, certain direct asset based investments may not be suitable for all clients and in many instances are not divisible. There is no assurance that all client portfolios will hold the same positions or will perform similarly.

## **Item 7 – Types of Clients**

SQN Institutional, on its own and as sub-advisor, provides investment services for institutional third party clients. Registrant's client base is expected to include insurance companies and other institutional clients in the near future. Regardless of client type, SQN Institutional may seek a minimum dollar fee or a minimum mandate size in an amount typically equal to \$10,000,000.

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



## *Methods of Analysis and Investment Strategies*

SQN Institutional's investment process is built on a disciplined philosophy, a team-based investment approach, and a strategic relative value analysis. Through a customized approach, SQN Institutional's clients benefit from its focus on optimizing performance, managing risk, and meeting client needs.

### *In General*

SQN Institutional's target investments focus on three areas of portfolio value: fundamental, relative, and structural.

Fundamental Value. Since any investment, particularly a fixed income instrument, represents a series of cash flows owed to the portfolio, SQN Institutional looks for assurances that those cash flows are sustainable, both in amount and timing.

Relative Value. Relative value is determined through application of SQN Institutional's knowledge of trading histories, inter-market spreads, dealer inventories, comparable investments with similar risk profiles and end-user portfolios to find and execute the best pricing relative to a client's expressed yield and risk preferences.

Structural Value. Structural value encompasses a series of risk mitigants or return enhancements that can make an underlying transaction more or less suitable to a client's portfolio objectives. Structural elements include, but are not limited to, subordination, guarantees, off-take agreements, collateral, cash flow diversions, reserve accounts, lock boxes, trustees, covenants, and limited recourse financing.

SQN Institutional works with its clients to develop investment plans to optimize risk-return across multiple parameters such as risk-based capital, income requirements, yield curve positioning, liquidity requirements, risk tolerance and accounting goals (though SQN Institutional does not provide tax or accounting advice). The investment plans may be solely for SQN Institutional core strategies, or in the case where SQN Institutional is providing consulting services, the investment plans may be for a clients' entire portfolio or a sub-set thereof away from SQN Institutional core strategies.

### *Direct Asset Based Investments*

SQN Institutional focuses on investments in business-essential, revenue-producing equipment and other assets with high in-place value and long economic life (relative to the investment term).

Originating an equipment lease or other asset-based investment involves, among other things: identifying a lessee or other end-user; inspecting the equipment or other asset; undertaking a

business, credit, and industry review; projecting the residual value of the equipment or other asset; pricing the investment; and documenting the transaction. SQN Institutional requires sufficient financial information on the lessee, end-user, guarantor or any other participant or counterparty to enable it to make an informed decision regarding their ability to perform their contractual obligations. SQN Institutional typically analyzes the following information:

- audited financial statements for the last two years, if available;
- unaudited financial statements for the latest completed quarter;
- budget or forecast for the latest fiscal year;
- confirmation that existing customers are current with their payments or proposals clearly demonstrating how arrearages will be made current;
- details of current levels of exposure within existing transactions aggregated with the new proposal; and
- details of existing credit facilities, the remaining availability and any financial covenants affecting the counterparty, lessee, end-user, guarantor, or other parties.

Additional information may be analyzed, when relevant, to assist in the assessment of the potential creditworthiness of a lessee or other counterparty including:

- its organizational structure;
- its management structure and an overview of the experience of the key members of the management team;
- its current business plan;
- its marketing plan and any intelligence on its market share, market penetration and major competitors;
- an analysis of its strengths, weaknesses, opportunities, and threats;
- an overview of its customer base; and
- details of any recent press or internet coverage.

The goal is to build a portfolio of investments comprised of a mix of single investor, leveraged leases, and other asset based financings to provide steady cash flows that can support a regular cash dividend, allow for portfolio compounding, and also generate attractive total returns.

The following strategies are employed to achieve the goal:

- Invest in business-essential, revenue-producing assets which, historically, have had high in-place value and relatively long economic life;
- Target assets with multiple and varied industry applications and with active secondary markets;

- Take ownership of the underlying asset(s) providing collateralization and, in some cases, corresponding tax benefits;
- Focus on asset and well as credit underwriting; and
- Structure transactions with multiple levels of security and exit strategies.

Many of the recommended investments will be structured as full payout or operating equipment leases. In addition, SQN Institutional may advise investing by way of participation agreements and residual sharing agreements where clients would acquire an interest in a pool of equipment or other assets, or rights to that equipment or other assets, at a future date. SQN Institutional also may recommend investments as project financings that are secured by, among other things, essential use equipment and/or assets. Finally, SQN Institutional may suggest investment structures it believes will provide clients with the appropriate level of security, collateralization, and flexibility to optimize return on investment while protecting against downside risk. In most cases, the structure will include Registrant's client holding title to or a priority position in the equipment or other asset.

### Structured Credit

SQN Institutional invests in structured credit primarily through CLOs and CSOs. SQN Institutional seeks current income as well as capital appreciation through investments of mezzanine tranches of CLOs and CSOs. SQN Institutional leverages its investment team's industry experience and contacts to analyze and source structured credit investments.

SQN Institutional's Structured Credit Strategy focuses on analysis of:

- Rating and spread relative to the client's investment objectives;
- Underlying assets;
- Manager (if any);
- Structural Value/Features; and
- Spread compared to comparable investments.

SQN Institutional utilizes an intersection approach of both quantitative screening and qualitative bottom up analysis. Investments must pass through multiple screens, identifying investments with an attractive spread and yield relative to rating, client objectives, and comparable investments in the market. SQN Institutional assesses the underlying assets and the manager (if any) to ascertain the investments' ability to sustain distributions and its relative liquidity should the investment need to be sold in the future. SQN Institutional likewise incorporates stress scenarios relative to historical performance and default rates.

### Derivatives

SQN Institutional may periodically buy or sell forwards, futures, options or other derivative instruments as long as they are consistent with the client investment guidelines, and, for insurance company clients, consistent with such clients' filed derivative use plans.

### **Risk of Loss**

All investments involve a degree of risk including, without limitation, loss of investment and illiquidity that clients should be prepared to bear. Clients should consider the following risk factors before entering into an Investment Management Agreement and authorizing discretionary authority.

### In General

Limited Operating History: Registrant was formed in March 2014 and has a limited transaction history. When evaluating Registrant as an investment advisor, please consider that past performance is not an indication or a guarantee of future results. Further, Registrant cannot predict whether its intended operations will meet the stated objectives.

Conflicts of Interest: Since Registrant proposes to invest on behalf of multiple clients, there are conflicts associated with allocating investment opportunities.

Credit Risk: The failure of a lessee to make lease payments or risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. SQN Institutional looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single company or asset class.

Sector Risk: The value of investments focused in a particular industry or market sector will be highly sensitive to financial, economic, political and other developments affecting that industry or market sector, and conditions that negatively impact that industry or market sector will have a greater impact as compared to an account that does not have its holdings similarly concentrated.

Interest Rate Risk: The value of fixed income securities usually rise and fall in response to changes in interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income, but will affect the value of the investment. Interest rate risk is generally greater for investments with longer maturities.

Certain fixed income securities pay interest at variable or floating rates. Variable rate securities reset at specified intervals, while floating rate securities reset whenever there is a change in a specified index rate. The market prices of these securities may fluctuate significantly when interest rates change.

**Structural Risk:** The impairment of the value of collateral or other assets underlying an asset-backed security, such as that resulting from non-payment of loans, may result in a reduction in the value of such security and losses. Early payoffs in the loans underlying such securities may result in receiving less income than originally anticipated.

**Foreign Investing Risk:** Investment in assets and equipment outside of the United States and investing in instruments of non-U.S. companies involves special risks and considerations not typically associated with investing within the United States. Laws in other countries may not provide the same rights and remedies for asset and equipment financiers and it may be difficult to recover collateral in a foreign market in the event of a default. The values of non-U.S. securities may be more volatile than those of U.S. securities. The values of non-U.S. securities are subject to economic and political developments in their respective countries and regions, or where the securities are traded. Values may also be affected by restrictions on receiving the investment proceeds from a non-U.S. country.

**Emerging Market Risk:** The risks of foreign investments are generally greater in countries whose markets are still developing than they are in more developed markets. Emerging market countries typically have economic and political systems that are less fully developed, and can be expected to be less stable than those of more developed countries. Investments in emerging markets may be considered speculative.

SQN Institutional will make investments in non-USD investments and where the assets are located outside the US, if in accordance with a client's investment guidelines. SQN Institutional typically focuses on investments in the UK, Western Europe, Australia, and other developed economies, and expects to have limited investment activity in emerging markets. SQN Institutional may periodically buy or sell forwards, futures, options or other instruments to hedge non-USD exposure, as long as consistent with the client investment guidelines.

**Liquidity Risk:** Substantially all structured credit investments are private placements under Rule 144A or otherwise and have transfer restrictions and are substantially less liquid than many other securities. Asset-based and equipment lease investments will be expected to have a highly limited (if any) secondary market.

#### *Direct Asset-Based Investing Risks*

**Default, Ownership:** Leases are generally structured as triple net "hell or high water" leases, under which the end user is responsible for all costs associated with using and maintaining the asset including, without limitation, payment of all taxes levied on the assets, insurance and

necessary repairs. However, in the event of default, the investor becomes the title owner of the asset and therefore is responsible for the payment of all costs incident to ownership.

**Illiquidity, Investing in Business-Essential Assets Subject to Lease:** Investing in business-essential assets subject to lease usually requires holding the investments for the lease term. Even after the lease has ended, there can be no assurance that the investment can be liquidated in a timely fashion. Supply and demand may impact the ability to sell the assets in the open market as well as the amount of sale proceeds that may be received.

**Lack of Diversification:** Although the maximum investment in one asset is generally limited as per each client's investment guidelines, there is no limit on investment by industry or sector. Uncertainties associated with the equipment leasing and financing industries may have an adverse effect on investments.

**Leverage:** Fluctuations in prevailing interest rates will affect investments because the cost of capital as reflected in interest rates is a significant factor in determining the market rate for leases. Higher interest rates will reduce the yield on leveraged transactions and limit the number of potential transactions due to a corresponding reduction in the value of fixed rate leases and secured financing.

**Residual Value:** SQN Institutional cannot assure that its value assumptions will be accurate or that the equipment or other assets will not lose value more rapidly than anticipated. Residual values depend on numerous factor that are beyond Registrant's control, including: the desire of the lessee or end-user to keep the equipment; cost of comparable equipment; condition of the equipment; development of new technologies making the equipment obsolete; and secondary market supply and demand.

### **Structured Credit Risks**

CLOs and CSOs are generally limited recourse obligations of the CLO or CSO Issuer, as applicable, payable solely from the assets of such CLO Issuer or CSO Issuer. The underlying assets typically consist primarily of leveraged loans. Investments in CLOs and CSOs entail a number of risks, including prepayment risk, credit (i.e., default) risk, liquidity risk, interest rate risk, structural risk and legal risk, which may be different from those of leveraged loans or other types of assets. The performance of CLOs and CSOs will be affected by a variety of factors, including among other things, its priority in the capital structure, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying loans or other assets that are being securitized. Legal risk may arise because CLOs and CSOs are complex instruments that may be based upon difficult to interpret or unclear documentation. Structural risk may arise to the extent that exposure is not limited to the most senior tranches of these securities.

## **Item 9 – Disciplinary Information**

There are no pending criminal or regulatory proceedings and no civil claims against SQN Institutional or its management. Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SQN Institutional or impact the integrity of its management.

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

Except as disclosed below, SQN Institutional does not have any other financial industry activities or affiliations.

SQN Institutional's related parties include Advantage Capital Management LLC [and Ability Insurance Company].

The following members of management are portfolio managers for Advantage Capital Management LLC:

Richard Vecchiolla  
Michael Minnich  
Heather Quinn Molloy

The following members of management provide management and other executive management services for Ability Insurance Company:

Richard Vecchiolla  
Michael Minnich

SQN Institutional's only clients will be institutional accounts and insurance companies.

SQN Institutional may recommend broker dealers or investment advisors to its clients where SQN Institutional receives compensation directly or indirectly; provided that in certain circumstances an Investment Management Agreement or a Sub-Advisory Agreement may require approval of certain broker dealers or investment advisors, as applicable.

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

A copy of SQN Institutional's Code of Ethics will be provided to any client upon request.

SQN Institutional's Code of Ethics sets forth standards of conduct expected from advisory personnel, addresses conflicts that arise from personal trading by advisory personnel and requires compliance with Federal securities laws. The Code of Ethics addresses conflicts of interest,

personal trading, gifts and the prohibition of using non-public material information for personal gain.

Advisory personnel are required to receive approval prior to purchasing a security on SQN Institutional's restricted list.

## **Item 12 – Brokerage Practices**

In the absence of specific written instructions in a client's investment management agreement, SQN Institutional has discretion in selecting brokers for client transactions. SQN Institutional seeks best execution at the best price available for each trade. SQN Institutional also takes into consideration several factors, such as:

- the broker's ability to execute the trade;
- the size of the trade;
- characteristics of the security;
- the quality and reliability of brokerage services; and
- the overall direct net economic results to the account.

SQN Institutional may also consider the availability of the broker to stand ready to execute transactions in the future, and the financial strength and stability of the broker. SQN Institutional currently does not participate in soft dollar arrangements. SQN Institutional does not receive client referrals from any broker.

SQN Institutional aggregates orders, when possible in accordance with client guidelines, for the purchase or sale of the same security for all participating accounts. When an order is filled in its entirety, each participating account receives their full allocation at the agreed upon trade execution price. When an order is partially filled, each participating account receives a pro rata allocation, at the agreed upon trade execution price, subject to certain exceptions including de minimis orders. Transaction costs are shared on a pro rata basis for all participating accounts.

SEC Rule 206(3)-2 of the Investment Advisers Act of 1940 allows an investment adviser, under certain circumstances, to engage in inter-account transactions. If one client of an investment adviser is looking to sell a security in its portfolio and another client of the same investment adviser is looking to purchase that security, this rule permits the investment adviser to do a cross trade between the two accounts. The buy/sale must be at fair market value and with no commissions. SQN Institutional will only engage in these cross trades when advantageous to both clients and with prior approval from the Chief Compliance Officer. Cross transactions will not be conducted through an affiliated broker-dealer.

SQN Institutional may accept direction from clients regarding which brokers to use. Currently, all client directed brokerage is subject to most favorable execution and best execution.



SQN Institutional may direct the purchase of securities on behalf of clients, in secondary market transactions, in public offerings directly from an underwriter, or in privately negotiated transactions with an issuer. Securities purchased in public offerings may be resold shortly after acquisition in the immediate aftermarket to take advantage of price appreciation from the public offering price or for other reasons. Short-term trading of securities acquired in public offerings, or otherwise, may result in higher portfolio turnover.

Many of SQN Institutional's investments, including substantially all lease investments, are extremely illiquid and will have no available 3rd party pricing information.

SQN Institutional may give advice, or take action, with respect to any one client account which may differ from the advice given, or action taken, with respect to another client account. However, SQN Institutional, to the extent practical and over a period of time, allocates investment opportunities to each account on a fair and equitable basis relative to other similarly-situated client accounts based on client guidelines and cash availability.

### **Item 13 – Review of Accounts**

Clients' accounts are reviewed quarterly or more frequently if there is any unusual activity or if additional reviews are deemed necessary at SQN Institutional's discretion.

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

Registrant does not receive any economic benefit in any material respect from anyone that is not a client. From time to time Registrant may compensate one or more placement agents in connection with the solicitation of clients. Such referral fees may be a percentage of such clients' assets under management, management fees and/or performance based compensation earned by SQN Institutional. Such placement agents could be non-managing members and/or may also seek to do business with, and earn fees or commissions from, Registrant and/or its affiliates. If Registrant were to compensate any person for client referrals, Registrant would seek to comply with the applicable requirements of the Advisers Act.

### **Item 15 – Custody**

SQN Institutional shall comply with Rule 206(4)-2 of the Adviser's Act with regard to the custody of client's assets. SQN Institutional does not custody securities for any of its clients. A client should enlist a qualified custodian if they require custodial services. In all events SQN Institutional shall abide by specific investment guidelines and, in the case of its insurance company clients, the applicable regulatory guidelines.

### **Item 16 – Investment Discretion**

SQN Institutional manages accounts on a discretionary basis. Other than the strategy limitations contained in Investment Management Agreements and Sub-Advisory Agreements, there are no

limitations on SQN Institutional's investment discretion; provided that in certain circumstances an Investment Management Agreement or Sub-Advisory Agreement may require approval of certain types of individual investments from the client or investment advisor, as applicable. This means that each client has authorized SQN Institutional in advance to purchase and sell assets in accordance with such client's investment objectives.

#### **Item 17 – Voting Client Securities**

SQN Institutional does vote proxies on behalf of clients who contract this service via their Investment Management Agreement. Votes are cast in accordance with predetermined guidelines provided by SQN Institutional which are based upon the clients' best interests.

As an investment adviser to insurance companies, there may be a definitive situation where SQN Institutional's interest would be directly in conflict with that of a client when voting a proxy in which the issuer of the security is an insurance company, which is either a client or potential client of SQN Institutional. In that limited circumstance, it is conceivable that SQN Institutional may be tempted to vote a proxy in line with management's interest rather than shareholders' interest, in order to obtain favorable treatment from company decision makers who may wish to hire or retain SQN Institutional as an investment adviser.

SQN Institutional may act on behalf of its clients in legal proceedings. Under no situation will SQN Institutional act on behalf of its separate account clients in any legal proceedings including class actions or bankruptcies involving securities purchased or held in the client account, other than with respect to bankruptcies involving private placement securities where such services have been retained by a client. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, Registrant will make commercially reasonable efforts to forward such notices in a timely manner.

#### **Item 18 – Financial Information**

SQN Institutional has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients, and SQN Institutional has not sought bankruptcy protection.