

InterOcean Capital, LLC  
Form ADV Part 2A

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**Item 1 – Cover Page**

**InterOcean Capital, LLC**  
980 North Michigan Avenue  
Suite 1780  
Chicago, Illinois 60611

Phone: 312-648-1720

Web Address: [www.interoceancapital.com](http://www.interoceancapital.com)

March 31, 2017

This brochure provides information about the qualifications and business practices of InterOcean Capital, LLC (“Adviser” and/or “IOC”). If you have any questions about the contents of this brochure, please contact Forrest Sumlar, our Chief Compliance Officer, at 312-648-1720 or via email at [fsumlar@interoceancapital.com](mailto:fsumlar@interoceancapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), under the firm’s SEC File No. 801-64666.

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**Item 2 – Material Changes**

This Item discusses only specific material changes that are made to the Brochure and provide clients with a summary of such changes from the prior Brochure dated October 7, 2016.

Adviser has no information applicable to this Item.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Forrest Sumlar, our Chief Compliance Officer, at 312-648-1720 or at [fsumlar@interoceancapital.com](mailto:fsumlar@interoceancapital.com).

Additional information about Adviser is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Adviser who are registered, or are required to be registered, as investment adviser representatives of Adviser.

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**Item 4 – Advisory Business**

- A. *Formation and Ownership.* InterOcean Capital, LLC was formed in 2005 to provide investment advisory services to individuals, family offices, and institutions. IOC is an Illinois limited liability corporation. Membership units of the LLC are owned by Rege S. Eisaman (35.6%), Mark E. Carr (21.8%), Jeffrey S. Camp (20.0%), David J. Janczewski (3.2%), Jason Buck (2.2%), Erik N. Larson (1.00%), and outside investors (16.2%).
- B. *Services Offered.* Adviser is an independent asset management and institutional consulting firm offering a variety of financial services to individuals and high-net worth individuals, corporate pension and profit sharing plans, charitable organizations, foundations, endowments, trusts, private investment funds, investment companies, and other investment advisers. Services provided include, but are not limited to, the following:
- discretionary asset management;
  - selection of third-party money managers;
  - investment supervisory services;
  - investment / financial planning;
  - institutional investment consulting;
  - asset allocation advice;
  - investment monitoring and consolidated reporting;
  - structured trades and / or hedging transactions; and
  - financial advice on matters that do not involve securities.
- C. *Customization and Client Restrictions.* Clients can engage Adviser for one or more services. Clients typically engage Adviser as (i) an asset manager, or (ii) an investment consultant, or (iii) as an asset manager and an investment consultant (i and ii above). Different combinations of services may be combined and customized to meet client needs. Adviser will generally accept reasonable client restrictions with respect to securities held in client accounts. Adviser will also generally accept restrictions on the ownership of certain types of securities and the use of margin, options, and other account features.
- D. *Wrap Fee Programs.* Adviser has no information applicable to this item.

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E. *Assets Under Management.*

As of December 31, 2016:

Total Assets Under Management	\$1,266,533,855
Discretionary Basis	\$ 749,726,161
Non-Discretionary Basis	\$ 516,807,694

**Item 5 – Fees and Compensation**

- A. *Adviser Fees.* All fees are subject to negotiation. Adviser customizes the service package to meet the client's needs and proposes fees based upon its view of the cost of delivering the services plus an expected profit.

Clients typically execute one or both of the following contract types based on the services provided: (i) an Investment Management Agreement (IMA); and (ii) an Investment Supervisory Agreement (ISA). The IMA is generally used for accounts where Adviser relies on its proprietary investment philosophy or where Adviser maintains discretion. The ISA is generally utilized for covered assets where Adviser: (i) helps analyze characteristics of the investments; (ii) recommends outside managers who utilize their own investment philosophy; (iii) recommends the purchase or sale of mutual funds or index shares; (iv) provides consolidated reporting; or (v) other services related to the covered assets. In addition, the ISA may cover services which include, but are not limited to the following: (i) asset allocation advice; (ii) record keeping on private investments; (iii) coordination with a client's legal and tax advisors; (iv) manager searches for alternative investments; (v) restricted security transactions; (vi) cash management and budgeting; and (vii) market searches, provider selection, and administration of credit facilities.

When Adviser manages accounts utilizing an IMA, the Adviser's management fee is calculated based upon a percentage of the assets of the portfolio including cash and cash equivalents. Management fees are negotiable, and are generally in the range of 0.20% to 1.25% of assets per annum, depending upon size of account, and the investment strategy employed.

When an ISA is utilized, the client generally maintains ultimate discretion for investment decisions, despite the fact that Adviser may make certain recommendations with respect to securities, investment managers, and other financial decisions.

In some cases IOC charges a flat annual fee, and may pair the IMA and ISA so that the IMA fee is netted from the flat annual fee. The quarterly fee is equal to the annual fee

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divided by four(4). The level of any flat fee varies widely based on the size of the investment pool and the services provided.

Adviser, in some cases, receives a negotiated fee for financial services that do not directly cover the management of client assets.

Although the Adviser does not currently receive any performance-based fees, Adviser has received performance based fees in the past and may receive performance based fees in the future. Performance-based fees are only used with clients who satisfy the requirements of Rule 205-3 and subsequent amendments of the Investment Advisers Act of 1940 and who negotiate such fees.

In cases where IOC recommends a third party adviser for the management of a separate account, the client may contract directly with the manager and IOC. Unless disclosed in writing and in compliance with all applicable laws, rules and regulations, IOC will not be compensated by the third party advisor. IOC's compensation will be determined directly with the client, in accordance with the agreement executed by IOC and the client.

- B. *Payment of Fees.* Adviser fees are billed to the client on a quarterly basis. Generally, Adviser fees are paid directly by the client, or paid by the third party custodian from the client's account(s) in its custody. Adviser will generally permit the client to select the method of payment, but the payment via the third party custodian is preferred and is more common. If Adviser's fees are paid directly by a third party custodian from a client's account, the following steps are followed: (a) the client must provide written authorization permitting Adviser's fees to be paid directly from the client's account held by the custodian; (b) Adviser will prepare an invoice showing the amount of the fee, the value of the client's assets upon which the fee was based and the manner in which the fee was calculated; and (c) the custodian will send a statement to the client, at least quarterly, showing all disbursements from the account including advisory fees paid to Adviser. The custodian will not determine whether the fee is properly calculated. Therefore, it is the Adviser's and client's responsibility to verify the accuracy of the fee calculation.

In most cases, the advisory agreement may be terminated at any time by either party upon written notice to the other party. The client also has the right to terminate an agreement without paying any advisory fees within five (5) business days after entering into the agreement.

- C. *Other Fees in Connection with Adviser Services.* Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers, and other third parties. Such fees may include, but are not limited to, fees charged by managers, custodial fees, deferred sales charges,

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odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Adviser's fee, and Adviser shall not receive any portion of these commissions, fees, and costs. (Information on Advisor's Brokerage Practices appears under Item 12.)

- D. *Billing of Fees.* Adviser fees are billed quarterly in arrears. Each quarter, IOC will send the client an invoice clearly detailing the calculation of the fees billed.

In most cases, the advisory agreement may be terminated at any time by either party upon written notice to the other party. Where an agreement is terminated the client will be billed for all earned unpaid fees, due immediately.

- E. *Compensation for the Sale of Securities.* Advisory professionals are compensated through a salary and bonus structure.

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

Although Adviser does not currently have any performance fee arrangements, Adviser may enter into performance fee arrangements with qualified clients in the future. Such fees are subject to negotiation with each client. Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) and subsequent amendments of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring assets for the calculation of performance-based fees, Adviser shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

#### **Item 7 – Types of Clients**

Adviser may provide portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, trusts, private investment funds, investment companies, and other investment advisers.

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

**Investing in securities involves risk of loss that clients should be prepared to bear.**

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- A. *Methods of Analysis.* Adviser employs a wide range of information in formulating investment advice and managing assets. Information sources include, but are not limited to, the following: (i) financial newspapers and magazines, (ii) research prepared by other organizations, (iii) annual reports, prospectuses, and other SEC filings, and (iv) company press releases, presentations, and other corporate communications. Adviser also purchases and reviews information from recognized financial services information aggregators. Adviser created and currently utilizes screening programs populated with the data purchased from the recognized information aggregators. Finally, Adviser may utilize its own proprietary valuation models for securities analysis. In general, Adviser employs fundamental analysis of the US economy, the global economy, and specific securities to provide investment advice and manage client assets.
- B. *Investment Strategies.* Investment strategies are generally tailored to clients' respective goals, investment objectives, risk tolerance, and personal and financial circumstances.
1. *Large Capitalization Equity Portfolio.* Adviser utilizes the methods of analysis described in Item 8A above from time to time. The portfolio will generally own between twenty and thirty issues. There are no limits with respect to the allocation to an economic sector or individual positions. The portfolio is generally long equity securities. The manager, however, may sell calls against positions, write puts to acquire stock, buy puts to protect value, or sell securities or indexes short to protect the portfolio from decline. There are no geographic limitations with respect to the origin of investments. Margin borrowing is not generally utilized and its use must be approved in advance by the client. It is the Adviser's goal to have low to modest turnover and hold the assets to capture the long term performance of the securities.
- Risks include, but are not limited to, investment concentration, economic sector concentration, and all risks associated with investing in equity securities.
2. *Equity Income and Option Portfolio.* The clients own a large capitalization equity portfolio. In addition, Adviser sells covered calls against the equity positions to generate additional income. Adviser utilizes the methods of analysis described in Item 8A above. The portfolio will generally own between twenty and thirty issues. There are no limits with respect to the allocation to an economic sector or individual positions. The manager may write puts to acquire stock, buy puts to protect value, or sell securities or indexes short to protect the portfolio from decline. There are no geographic limitations with respect to the origin of investments. Margin borrowing is not generally utilized and its use must be approved in advance by the client. Turnover may be high when securities are called away by the owners of the call options sold against the equity positions. If the term of the options sold is less than one year, and the securities are called



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away, the portfolio may not be tax efficient. The tax efficiency of the portfolio depends on the holding period of the underlying equity securities and certain other rules under the United States Tax Code.

Risks include, but are not limited to, investment concentration, economic sector concentration, and all risks associated with investing in equity securities. Additional risks include foregone upside appreciation if the stock prices exceed the strike price of the calls during or at the end of the option term. Finally, the portfolio may not be tax efficient and brokerage commissions are levied on both the stocks and the call options when positions are purchased or sold.

To date, Adviser has not offered this strategy with a performance based fee.

3. *Equity Hedge Portfolio.* The clients own a large capitalization equity portfolio. In addition, Adviser shorts stocks or indexes or purchases inverse index shares to pursue a long and short equity strategy with the ability to tactically adjust the net market exposure of the portfolio. The net long exposure (long positions minus short positions) can range from minus 100 percent to plus 100 percent (or higher with margin lending), but will generally range from plus 20 percent to plus 100 percent. Adviser utilizes the methods of analysis described in Item 8A above. The portfolio will generally own between twenty and thirty long positions and fewer short positions. Adviser may also utilize indexes for long positions as well as short positions. There are no limits with respect to the allocation to an economic sector or individual positions. There are no geographic limitations with respect to the origin of investments. Margin borrowing may occur from time to time. It is the Adviser's goal to have low to modest turnover on the long positions and hold the assets to capture the long term performance of the securities. Short positions are, by definition, tax inefficient and capital gains and losses will be characterized as short term regardless of the holding period of the short position.

Risks include, but are not limited to, investment concentration, economic sector concentration, and all risks associated with investing long and short in equity securities. Additional risks include foregone upside appreciation if stock prices advance while the portfolio is hedged.

To date, Adviser has not offered this strategy with a performance based fee.

4. *Exchange Traded Funds ("ETF") Models.* Adviser may recommend a proprietary portfolio of ETFs. ETF portfolios may be invested in funds holding domestic and / or global securities. Sector and market weights may be adjusted according to

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Advisor's expectations of return and risk. Models are based on the premise that sector and market allocations are primary factors that drive investment returns.

Risks include, but are not limited to, investment concentration, economic sector concentration, and all risks associated with equity and ETF securities.

5. *Customized Investment Strategies.* Adviser may, from time to time, customize investment strategies to meet the objectives of its clients. These strategies may include the use of fixed-income instruments, mutual funds, and any other securities that meet the risk and return objectives agreed to by the client and Adviser.

C. *Risk of Loss and Particular Type of Security.*

1. *Material Risks of Investment Instrument.*

IOC typically invests in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange traded funds
- Fixed-income securities
- Municipal securities
- U.S. government securities
- Option contracts
- Corporate debt obligations
- Other securities and investments

2. *Margin Leverage*

Adviser may utilize leverage in limited circumstances. The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a

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bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

3. *Short-Term Trading*

Although IOC, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following: there is an inherent risk for clients who trade frequently in that higher than normal turnover of securities creates substantial transaction costs that in the aggregate could negatively impact account performance.

4. *Short Selling*

Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

5. *Option Strategies*

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Long option positions entail greater risk but allow an investor to gain market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

**Item 9 – Disciplinary Information**

A. *Criminal or Civil Actions*

There is nothing to report on this item.

B. *Administrative Enforcement Proceedings*

There is nothing to report on this item.

C. *Self-Regulatory Organization Enforcement Proceedings*

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There is nothing to report on this item.

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

- A. *Registered with Broker Dealer.* Neither Adviser nor its affiliates are registered broker-dealers and do not have an application to register pending.
- B. *Futures or Commodity Registrations.* Neither Adviser nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.
- C. *Material Relationships Maintained by this Advisory Business and Conflicts of Interest.* Please be advised that Adviser provides investment management services to third party sponsored money management programs. In addition, Adviser manages money independent of any custodian sponsored programs. Adviser does not solicit participation in one program versus another and is included in these programs solely as an option for their independent advisors and their clients. Please be advised that these programs have varying fee and cost structures and may be offered on a wrap fee basis.

1. *Schwab Advisor Network®*

Adviser serves as an investment manager in the Schwab Advisor Network® money managed program and may receive client referrals for participation in the program. Please refer to Item 14.B for additional information on this referral program.

2. *Wiley Bros. – Aintree Capital Private Manager Program*

Adviser serves as a sub-adviser in the Aintree Capital Private Manager Program and receives a portion of the advisory fees charged by the institutional manager for its investment management services.

3. *FEG Absolute Access Fund, LLC, and FEG Absolute Access Fund I, LLC*

The FEG Absolute Access Fund, LLC and FEG Absolute Access Fund I, LLC (“AAF Funds”) were created by Fund Evaluation Group, LLC and the Adviser to select and hold investments in hedge funds. The AAF Funds are Registered Investment Companies. FEG Investors, LLC serves as the investment manager (“the Manager”) of the AAF Funds. IOC holds one seat on the Manager’s Operating Committee. The Manager’s Operating Committee is responsible for the management of FEG Investors, LLC and serves as the Investment Policy and Operating Committees for the AAF Funds, as delegated to the Manager by the

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AAF Funds' Boards of Directors. IOC also assists the Manager with strategic planning, product development, and investor relations activities on an ongoing basis. IOC receives 10% of the gross revenue earned by the Manager as a sub-advisor to the Manager and the AAF Funds. IOC owns 10% of the Manager. IOC's equity percentage of the Manager can increase up to 39% based on IOC achieving certain performance hurdles, which includes the growth of assets under management attributable to IOC. IOC will own no less than 10% of the Manager. IOC may from time to time recommend that clients invest in the AAF Funds. IOC does not assess an investment management fee on the AAF Funds when it resides in an account that is subject to an investment management agreement between the client and IOC.

IOC discloses its interests in the FEG entities to clients before an investment in any of the FEG portfolios is initiated.

4. *FEG Directional Access Fund, LLC and FEG Directional Access Fund TEI, LLC.*

FEG Directional Access Fund, LLC ("FEG DAF") and FEG Directional Access Fund TEI, LLC (together the "Equity Funds") were created by Fund Evaluation Group, LLC and IOC to select and hold investments in hedge funds. The Equity Funds are Registered Investment Companies. FEG Investors, LLC serves as the investment manager ("the Manager") of FEG DAF. IOC holds one seat on the Manager's Operating Committee. The Manager's Operating Committee is responsible for the management of FEG Investors, LLC and serves as the Investment Policy and Operating Committees for FEG DAF, as delegated to the Manager by FEG DAF's Board of Directors. IOC also assists the Manager with strategic planning, product development, and investor relations activities on an ongoing basis. IOC receives 10% of the gross revenue earned by the Manager as a sub-advisor to the Manager. IOC owns 10% of the Manager. IOC's equity percentage of the Manager can increase up to 39% based on IOC achieving certain performance hurdles, which include the growth of assets under management attributable to IOC. IOC will own no less than 10% of the Manager. IOC may from time to time recommend that clients invest in the Equity Funds. IOC does not assess an investment management fee on any Equity Fund investment when it resides in an account that is subject to an investment management agreement between the client and IOC.

IOC discloses its interests in the FEG entities to clients before an investment in any of the FEG portfolios is initiated.

5. *FEG Private Opportunities Fund, LLC*

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IOC serves as sub-adviser to the FEG Private Opportunities Fund, L.P. (“POF”). The sub-adviser participates by appointing a member to the Investment Policy Committee, thereby assisting in providing for oversight of the investments, approving investment fund selection recommendations, and reviewing other matters that come before the Fund. The Manager of POF will compensate the sub-adviser with a quarterly fee equal to \$2,500 per quarter, for as long as the Agreement is in effect.

IOC discloses its interests in the FEG entities to clients before an investment in any of the FEG portfolios is initiated.

6. *iSectors, LLC*

Adviser may recommend ETF Asset Allocation Models licensed from iSectors, LLC. These models are based on the premise that asset allocation is one of the main factors driving investment returns. For more information see the iSectors, LLC Form ADV Part 2 brochure.

Adviser pays iSectors, LLC a fee, for use of its intellectual property based on all designated client accounts that use the Models. The fee is applied to the market value of the assets within the accounts in accordance with a fee schedule.

Adviser is responsible for determining whether or not to implement the Models or any portion thereof. It is Adviser’s intent, however, to apply the models to accounts without any investment input from its Chief Investment Officer or portfolio managers.

The licensing fee arrangement between Adviser and iSectors creates a potential conflict of interest as there is an economic incentive for Adviser to avoid allocating to iSectors strategies since the net fee, after Adviser pays iSectors, may be lower than the net fee earned on other proprietary investment strategies that Adviser may execute on behalf of the client. Conversely, Adviser may enter into other business relationships with iSectors and benefit from the fact that iSectors portfolios are utilized by Adviser’s clients.

7. *SpiderRock Advisors, LLC*

Adviser has engaged SpiderRock Advisors, LLC (“SRA”) as a sub-adviser to manage select client assets in a manner consistent with select proprietary models.

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The proprietary models utilized are either licensed or otherwise owned and maintained by SRA. For more information see the SpiderRock Advisors, LLC Form ADV Part 2 brochure.

Adviser is responsible for determining whether a client is suitable for investment in one of the models and, with the agreement of the client, will allocate client assets to the model for management by SRA (an “Allocated Sleeve”).

With respect to each Allocated Sleeve, SRA is responsible for: (a) placing orders for purchases and sales of portfolio investments for the Allocated Sleeve; (b) if applicable, giving instructions for the Client’s custodian(s) concerning the delivery of securities and transfer of cash for the Allocated Sleeve; and (c) maintaining and preserving the records relating to its activities hereunder required by applicable law to be maintained and preserved by SRA.

Adviser pays SR a fee for all Client assets managed by SR based upon the average daily market value of the assets managed by SR in accordance with a predetermined fee schedule.

The sub-advisory fee arrangement between Adviser and SRA creates a potential conflict of interest as there is an economic incentive for Adviser to avoid allocating to SRA for management since the net fee, after Adviser pays SRA, may be lower than the net fee earned on other proprietary investment strategies that IOC may execute on behalf of the client.

8. *Minority Owners of InterOcean Capital, LLC*

Certain clients own a minority interest in InterOcean Capital, LLC. Specifically, five (5) clients own 16.2% of the company’s Class A voting shares. The concurrent maintenance of relationships with clients who own a minority interest in InterOcean Capital, LLC and the clients who do not share in the ownership of the company could create a conflict of interest regarding the apportionment of IOC’s resources. The realization of this potential conflict of interest may result in IOC favoring clients who maintain minority ownership interests relative to clients that do not own any economic interest in IOC.

9. *Private or Closely Held Securities*

IOC may from time to time recommend or provide access to certain closely held investment opportunities to its clients. IOC will make a reasonable determination as to the suitability of the investment for each of its clients and may not offer the investment to all its clients based upon its sole determination of suitability.

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Certain conflicts of interest may arise between IOC and its clients. These conflicts include, but are not limited to (i) IOC advising clients who may be in conflict with one another regarding certain company matters, and (ii) the maintenance by IOC of concurrent client relationships with both the company manager and client / investors in the company.

D. *Recommended Third Party Advisers.* Adviser has no information applicable to this Item.

### **Item 11 – Code of Ethics**

Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

Adviser anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Adviser has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Adviser, its affiliates and/or clients, directly or indirectly, have a position of interest. Adviser's employees and persons associated with Adviser are required to follow Adviser's Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Adviser's clients. In addition, the Code requires pre-clearance of many transactions, and may restrict trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to prevent conflicts of interest between Adviser and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Adviser's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Partially filled orders will be allocated on a pro rata basis when practical.



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Adviser's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Forrest Sumlar, Adviser's Chief Compliance Officer.

It is Adviser's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Adviser will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

### **A. *Broker-Dealer Selection.***

1. *Research and Other Soft Dollar Benefits.* Adviser has not entered into any soft dollar arrangements with broker dealers. Adviser does, however, receive access to the general research database provided by custodians who are also acting as a broker-dealer to its clients. Adviser has access to multiple sources of data and research which serves to minimize the reliance on any single custodian's services (See Item 8.A).
2. *Brokerage for Client Referrals.* Adviser has no information applicable to this Item.
3. *Custody / Broker-Dealer Recommendations and Directed Brokerage.* Most client transactions occur at the custodian recommended by Adviser and selected by the client. Adviser, however, maintains the capabilities to execute transactions away from the primary custodian when it is advantageous to do so or when execution at the primary custodian is not possible.

Adviser recommends custodians who serve as broker-dealers for its clients. The recommendation is based on a number of factors. Adviser evaluates a wide range of criteria, including the custodian / broker's commission rate, execution, capability, back office efficiency, and ability to handle certain trades. Adviser may not always recommend custodian / broker-dealers on the basis of the lowest commission rate available. The ability of the custodian / broker dealer to service the identified needs of a particular client are considered for each custodian / broker-dealer recommendation.

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Adviser may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“Schwab”), a FINRA registered broker-dealer, member SIPC, and / or other custodians, to maintain custody of clients’ assets and to effect trades for their accounts (see potential conflicts of interests in Item 10.C.1). Although Adviser may recommend that clients establish accounts at the custodian, it is the client’s decision to custody assets with the custodian. Adviser is independently owned and operated and not affiliated with custodian.

Adviser seeks to recommend a custodian/broker who will hold client assets and execute transactions on favorable terms. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear, and settle trades (buy and sell securities for client accounts);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength, and stability of the provider;
- their prior service to us and our other clients; and
- the availability of other products and services that benefit us, as discussed below.

4. *Institutional Trading and Custody Services.* The custodian provides Adviser with access to its institutional trading and custody services, which are typically not available to the custodian’s retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a certain minimum amount of the adviser’s clients’ assets are maintained in accounts at a particular custodian. These services are not contingent upon Adviser committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian’s brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to

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institutional investors or would require a significantly higher minimum initial investment.

5. *Other Products and Services.* Custodian also makes available to Adviser other products and services that benefit Adviser but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Adviser's accounts, including accounts not maintained at custodian. The custodian may also make available to Adviser software and other technology that may include the following:
- access to client account data (such as trade confirmations and account statements);
  - facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
  - research, pricing and other market data;
  - facilitate payment of Adviser's fees from its clients' accounts; and
  - assist with back-office functions, recordkeeping and client reporting.

The custodian may also offer other services intended to help Adviser manage and further develop its business enterprise. These services may include the following:

- compliance, legal and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, information technology providers, human capital consultants and insurance providers.

The custodian may also provide other benefits such as educational events or occasional business entertainment of Adviser personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Adviser may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

6. *Independent Third Parties.* The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Adviser. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Adviser.

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7. *Additional Compensation Received from Custodians.* Adviser may participate in institutional customer programs sponsored by broker-dealers or custodians. Adviser may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Adviser's participation in such programs and the investment advice it gives to its clients, although Adviser receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):
- receipt of duplicate client statements and confirmations;
  - research-related products and tools;
  - consulting services;
  - access to a trading desk serving Adviser participants;
  - access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
  - the ability to have advisory fees deducted directly from client accounts;
  - access to an electronic communications network for client order entry and account information;
  - access to mutual funds with no transaction fees and to certain institutional money managers; and
  - discounts on compliance, marketing, research, technology, and practice management products or services provided to Adviser by third-party vendors.

The custodian may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Adviser's personnel to attend conferences. Some of the products and services made available by such custodian through its institutional customer programs may benefit Adviser but may not benefit its client accounts. These products or services may assist Adviser in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Adviser manage and further develop its business enterprise. The benefits received by Adviser or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

As part of its fiduciary duties to clients, Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Adviser's

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recommendation of broker-dealers for custody and brokerage services.

Certain clients have requested that Adviser use particular or preferred custodians or broker-dealers for executing transactions in their accounts. To the extent brokerage is directed to particular or preferred broker-dealers, Adviser's ability to pursue the brokerage transaction policies set forth above, including Adviser's ability to seek execution of transactions as efficiently as possible, may be limited or eliminated. This type of directed relationship may lead to higher transactions costs.

Upon request, additional information will be available to any client regarding brokerage arrangements.

- B. *Order Aggregation.* Since Adviser may be managing accounts with similar investment objectives, Adviser may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by the Adviser in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. On certain occasions, Adviser may not aggregate orders. In most cases, Adviser does not believe that that transactions costs incurred are materially different from an aggregated order costs because Adviser's brokerage rates are not affected by the size of the order. In most cases, Adviser makes an effort to aggregate the trades. There are also cases where non-aggregated trades may actually benefit via better trade execution. Finally, Adviser attempts to rotate custodians when trading so that each client group is treated fairly.

### **Item 13 – Review of Accounts**

- A. *Account Review and Planning.* Adviser reviews accounts, revises asset allocations, and generates financial planning as needed. Accounts are reviewed continuously, but not less than quarterly. Accounts are reviewed by the CEO, Chief Investment Officer, CFO, or Portfolio Managers.
- B. *Account Review Triggers.* Non-periodic account reviews may be caused by market conditions, domestic or global economic events, current events, security specific issues, changes in client objectives, and / or a change in Adviser's opinion on the risk and return opportunities prevailing in financial markets.
- C. *Reporting.* Written reports are issued quarterly or semi-annually. The reports typically include aggregate portfolio performance, performance by account, realized gains and losses, and income and expense items. Monthly reporting and further customized reports are available at the discretion of the Adviser. Adviser may also generate interim reports

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at the request of a client. Benchmarks are typically utilized for the total portfolio and on an account by account basis.

From time to time, IOC may include a client's private investments within periodic reports sent to clients. This service is provided for the benefit of IOC's clients. It permits them to view their entire portfolio for the purpose of financial planning and plan monitoring. IOC's standard procedure is to carry the assets at values provided by the client. IOC notes the source of the valuation on its periodic reports to clients.

In addition, the client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Adviser.

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

- A. *Compensation from a Third Party for Providing Advice to Adviser Clients.* Adviser receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Adviser's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Adviser. Schwab does not supervise Adviser and has no responsibility for Adviser's management of clients' portfolios or Adviser's other advice or services. Adviser pays Schwab fees to receive client referrals through the Service. Adviser's participation in the Service may raise potential conflicts of interest described below.

Adviser pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Adviser is a percentage of the fees the client owes to Adviser or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Adviser pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Adviser quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Adviser and not by the client. Adviser has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Adviser charges clients with similar portfolios who were not referred through the Service.

Adviser generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment

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equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Adviser generally would pay in a single year. Thus, Adviser will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Adviser's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Adviser will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Adviser's fees directly from the accounts.

For accounts of Adviser's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Adviser's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Adviser may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Adviser nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Adviser's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

- B. *Compensation for Third Party Referrals.* Adviser has no information applicable to this Item.

### **Item 15 – Custody**

Advisor is deemed to have custody of client funds when client fees are debited directly by a qualified custodian who then automatically pays the advisor. Advisor, although deemed to have custody, is exempt from (i) having to be subjected to a surprise annual audit, and (ii) having to deliver a balance sheet to advisory clients, provided the client's assets upon which the advisor's fee is calculated and paid are maintained by a qualified custodian who agrees to send no less frequently than quarterly a statement of all transaction activity, cash, and securities balances to the client. Adviser is required to confirm with the custodian that the custodian has sent statements to a client no less frequently than quarterly.

At a minimum, clients will receive quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Adviser urges you to

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carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Adviser statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Item 16 – Investment Discretion**

Adviser may receive discretionary authority from the client relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the client's investment objectives.

When selecting securities and determining amounts, Adviser observes limitations and restrictions of the clients for which it advises.

**Item 17 – Voting Client Securities**

Clients may obtain a copy of Adviser's complete proxy voting policies and procedures upon request. Clients may also obtain information from Adviser about how Adviser voted any proxies on behalf of their account(s). Adviser clients can elect to vote their own proxies.

Proxy Voting

When Adviser has proxy voting power with respect to securities in a client's account, it owes certain fiduciary duties with respect to the voting of proxies.

Proxy Voting Decisions

Adviser's portfolio management team will monitor corporate actions, make proxy voting decisions, describe the basis on which a proxy voting decision is made if the decision is inconsistent with this Proxy Voting Policy, and be responsible for ensuring that proxies are submitted in a timely manner. As a general rule, Adviser will vote all proxies relating to a particular proposal the same way for all client accounts holding the security, unless a client specifically instructs Adviser in writing to vote such client's securities otherwise. When making proxy voting decisions, Adviser may seek advice or assistance from third party consultants, such as proxy voting services or legal counsel.

Conflicts of Interest

Adviser has adopted a Code of Ethics and other compliance policies and procedures to preserve the independence of its investment advice to its clients. Nonetheless, from time to time, a proxy proposal may still involve a conflict between the interests of Adviser's client and the interests of Adviser or an affiliated person of IOC. For example, a conflict would arise if IOC client



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accounts held securities issued by a company and that company (or its affiliate or pension plan) was also IOC's client.

IOC personnel responsible for voting client proxies may consult with the Chief Compliance Officer, who may consult with legal counsel if necessary, to determine whether a material conflict appears to exist with respect to a given proxy proposal. When a material conflict appears to exist and cannot be adequately addressed or resolved by IOC's other policies and procedures (including IOC's Proxy Voting Guidelines) established procedures will be followed, including client disclosure, to address the conflict.

A copy of Adviser's Proxy Voting Policy will be provided upon receipt of a written request. Such requests may be sent to:

Chief Compliance Officer  
InterOcean Capital, LLC  
980 North Michigan Avenue, Suite 1780  
Chicago, Illinois 60611

**Item 18 – Financial Information**

*A. Balance Sheet*

Adviser does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

*B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients*

Adviser does not have any financial issues that would impair its ability to provide services to clients.

*C. Bankruptcy Petitions during the Past Ten Years*

There is nothing to report on this item.

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## Exhibit A: Privacy Notice

FACTS	<b>What Does InterOcean Capital, LLC, Do With Your Personal Information?</b>
The Law	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.
	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Income</li> <li>• Employment and residential information</li> <li>• Social security number</li> <li>• Cash balance</li> <li>• Security balances</li> <li>• Transaction detail history</li> <li>• Investment objectives, goals, and risk tolerance</li> </ul> <p>When you are <i>no longer</i> our client, we continue to share your information as described in this notice.</p>
Our Policy	
Your Rights	All financial companies need to share clients' personal information to run their everyday business. We list below the reasons financial companies can share their clients' personal information; the reasons InterOcean Capital chooses to share; and whether you can limit this sharing.
Definitions	
Everyday Business Purposes	The actions necessary by financial companies to run their business and manage client accounts, such as providing investment advisory and financial planning advice, processing securities transactions, and otherwise providing financial services to you.
Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies. InterOcean Capital has the following affiliate:</p> <ul style="list-style-type: none"> <li>• InterOcean Capital – TN, LLC</li> </ul>
Non-Affiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. InterOcean Capital does not share information with non-affiliates for marketing purposes.
Joint Marketing	A formal agreement between non-affiliated financial companies that together market financial products or services to you. InterOcean Capital does not engage in joint marketing with non-affiliates.

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Reasons we can share your personal information	Does InterOcean Capital share?	Can you limit this sharing?
For our everyday business purposes—such as to provide advice, process your transactions, and maintain your account(s)	Yes	No
For our marketing purposes—to offer our products and services to you	No	We do not share
For joint marketing with other financial companies	No	We do not share
For our affiliates' everyday business purposes—information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes—information about your creditworthiness	No	We do not share
For our affiliates to market to you	No	We do not share
For non-affiliates to market to you	No	We do not share
<b>Contact Us</b>	Call InterOcean Capital at 312-648-1720.	
<b>Sharing Practices</b>		
How often does InterOcean Capital notify me about their practices?	We must notify you about our sharing practices when you open an account and each year while you are a client.	
How does InterOcean Capital protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.	
How does InterOcean Capital collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• establish an investment advisory relationship</li> <li>• contract for financial planning services</li> <li>• open an account or deposit money with custodians</li> <li>• purchase or sell securities with executing broker-dealers</li> </ul> <p>We also collect your personal information from others, such as custodians, broker-dealers, or other companies.</p>	
Why can't I limit all sharing?	<p>Federal law gives you the right to limit sharing only for</p> <ul style="list-style-type: none"> <li>• affiliates' everyday business purposes—information about your creditworthiness</li> <li>• affiliates to market to you</li> <li>• non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>	