

InterOcean Capital - TN, LLC  
Form ADV Part 2A

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**Item 1 – Cover Page**

**InterOcean Capital - TN, LLC**

980 North Michigan Avenue  
Suite 1780  
Chicago, Illinois 60611

Phone: 312-648-1720

March 30, 2019

This brochure provides information about the qualifications and business practices of InterOcean Capital - TN, LLC (“Adviser” and/or “IOCTN”). 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@iofinance.com](mailto:fsumlar@iofinance.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. 801-70710.

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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 March 29, 2018.

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, at 312-648-1720 or at [fsumlar@iofinance.com](mailto:fsumlar@iofinance.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 InterOcean Capital - TN, LLC.

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**Item 4 – Advisory Business**

A. *Formation and Ownership.*



InterOcean Capital - TN, LLC, formerly Ayers Capital, LLC, a Tennessee limited liability corporation, was formed as a joint venture between InterOcean Capital, LLC (“IOC”) and Ayers Capital Investors, LLC. The application for registration as an Investment Adviser was submitted on October 9, 2009 and the subsequent registration became effective on October 21, 2009. IOC is the managing member of InterOcean Capital - TN, LLC, and controls the Adviser. The Adviser’s Form ADV Part I lists IOC’s office as the principal place of business. The purpose of the joint venture was to develop an investment advisory business in Nashville, Tennessee.

- 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:

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- 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, (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.

E. *Assets Under Management.*

As of December 31, 2018:

Total Assets Under Management	\$104,081,699
Discretionary Basis	\$ 81,438,195
Non-Discretionary Basis	\$ 22,643,504

## 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

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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 net 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 Adviser 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 level of any flat fee may vary widely based on the size of the investment pool and the services provided.

Adviser may also receive a negotiated fee for financial services that do not directly cover the management of client assets.

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

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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, 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 either quarterly in advance. Each quarter, AC 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**

Adviser has no information applicable to this item.

#### **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.

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**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.**

- 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



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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 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.

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.

4. *Exchange Traded Funds ("ETF") Models.* Adviser may recommend a proprietary portfolio of ETFs. ETF portfolios may be invested in funds holding domestic and

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/ or global securities. Sector and market weights may be adjusted according to 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.*

InterOcean Capital - TN 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.

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

3. *Short-Term Trading*

Although InterOcean Capital - TN, 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.

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C. *Self-Regulatory Organization Enforcement Proceedings*

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.*

1. *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.

IOCTN is responsible for determining whether or not to implement the Models or any portion thereof. It is IOCTN'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.

2. *Schwab Advisor Network®*

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InterOcean Capital, LLC, the Manager of InterOcean Capital - TN, LLC, serves as an investment manager in the Schwab Advisor Network® money managed program and may receive client referrals for participation in the program. This relationship might be considered a conflict of interest for the manager when recommending a custodian to the client. InterOcean Capital, LLC's intent and obligation as a fiduciary is to put the clients' interests first.

3. *Griffin Family Partners*

Adviser serves as a sub-adviser to Griffin Family Partners and receives a portion of the advisory fees charged by Griffin Family Partners for its investment management services.

4. *Private or Closely Held Securities*

IOCTN may from time to time recommend or provide access to certain closely held investment opportunities to its clients. IOCTN 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. Certain conflicts of interest may arise between IOCTN and its clients. These conflicts include, but are not limited to (i) IOCTN advising clients who may be in conflict with one another regarding certain company matters, and (ii) the maintenance by IOCTN 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

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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.

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

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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.

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.5). 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

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- 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 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:



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- 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.
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;

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- 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 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

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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 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, IOCTN may include a client's private investments within periodic reports sent to clients. This service is provided for the benefit of IOCTN's clients. It permits them to view their entire portfolio for the purpose of financial planning and plan monitoring. IOCTN's standard procedure is to carry the assets at values provided by the client. IOCTN 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 has no information applicable to this Item.

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

**Item 15 – Custody**

Adviser is deemed to have custody of client funds when client fees are debited directly by a qualified custodian who then automatically pays the advisor. Adviser, 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 carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Adviser is also deemed to have custody of client funds when a standing authorization is provided for Adviser to transfer funds or securities for a purpose other than authorized trading. Adviser, although deemed to have custody, Adviser is exempt from having to be subjected to a surprise annual audit, provided that:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.

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- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Although Adviser does not utilize standing authorizations as part of its routine business practice, Adviser may accommodate requests from clients to establish standing authorizations to simplify the processing of routine transactions. In any instance in which such a standing authorization is established, the requirements for exemption from the surprise annual audit detailed above will be followed.

#### **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.

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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 the Adviser. For example, a conflict would arise if client accounts held securities issued by a company and that company (or its affiliate or pension plan) was also Adviser's client.

Adviser 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 Adviser's other policies and procedures (including Adviser'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 - TN, 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.

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*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		What Does InterOcean Capital - TN, LLC, Do With Your Personal Information?	
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.		
	Our Policy	The types of personal information we collect and share depend on the product or service you have with us. This information can include: <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>	
		When you are no longer our client, we continue to share your information as described in this notice.	
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 client’ personal information; the reasons InterOcean Capital - TN 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 customer accounts, such as providing investment advisory and financial planning advice, processing securities transactions, and otherwise providing financial services to you.	
Affiliates		Companies related by common ownership or control. They can be financial and nonfinancial companies. InterOcean Capital - TN has the following affiliate: <ul style="list-style-type: none"><li>• InterOcean Capital LLC</li></ul>	
Non-Affiliates		Companies not related by common ownership or control. They can be financial and nonfinancial companies. InterOcean Capital - TN does not share information with non-affiliates for marketing purposes.	



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Joint Marketing	A formal agreement between non-affiliated financial companies that together market financial products or services to you. InterOcean Capital - TN does not engage in joint marketing with non-affiliates.	
Reasons we can share your personal information	Does InterOcean Capital – TN 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 - TN at 312-648-1720.	
<b>Sharing Practices</b>		
How often does InterOcean Capital - TN 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 - TN 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 – TN 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>	

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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>
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