

ITEM 1 COVER PAGE

Private Ocean, LLC  
SEC File Number: 801-20857

## ADV Part 2A, Firm Brochure

Dated March 25, 2021

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This Brochure provides information about the qualifications and business practices of Private Ocean, LLC ("Private Ocean"). If you have any questions about the contents of this Brochure, please contact us by telephone at 415.526.2900. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Private Ocean, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Private Ocean as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## ITEM 2 MATERIAL CHANGES

There have been no material changes made to Private Ocean's disclosure statement since last year's Annual Amendment filing on March 30, 2020. However, Private Ocean has made non-material revisions to this disclosure brochure, including as follows:

- At Item 4 to revise disclosure language regarding private investments
- At Item 5 to clarify the impact of account deposits and withdrawals on a client's fee
- At Item 8 to incorporate disclosure language regarding options strategies and securities-based loans
- At Item 14 to revise disclosure language regarding referral relationships

Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client has about this Firm Brochure.

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#### ITEM 4      ADVISORY BUSINESS

A. Private Ocean is a limited liability company formed in May 2009 in the State of California. Private Ocean became registered as an Investment Adviser Firm with the SEC in January 1983 (as Salient Financial Corp.). Private Ocean is principally owned by Wealth Management Advisors, Inc. Gregory H. Friedman, who is Private Ocean's President and Chief Executive Officer, is the owner of Wealth Management Advisors, Inc.

B. As discussed below, Private Ocean offers discretionary and/or non-discretionary investment advisory services to its clients, and, to the extent specifically requested by a client, financial planning and related consulting services. Private Ocean's clients include: individuals, high net worth individuals, pensions and profit sharing plans, and charitable organizations.

#### INVESTMENT ADVISORY SERVICES

Through its financial planning process and subsequent client consultations, Private Ocean and its clients agree upon investment objectives, guidelines and an asset allocation strategy based upon the client's financial condition, investment experience, time horizon, risk tolerance level, income requirements and other factors. After setting those parameters, Private Ocean offers discretionary and non-discretionary investment advisory services on a negotiable fee basis.

Private Ocean's investment advisory services generally include:

- Gathering information to determine client investment profile, such as: goals (financial and psychological), personal financial information (age, income, expenses, net worth, etc.), investment objectives (income, growth, liquidity, tax deferral, etc.), investment horizon, and risk tolerance.
- Establishing an investment policy covering cash needs, asset allocation, dividend policy (cash or reinvest), and alternative investments. In the process, Private Ocean may adjust its investment policy with consideration to the client's securities that are not under Private Ocean's management.
- Selection and acquisition of mutual funds, separate accounts and other investment vehicles that are suitable in light of client investment profile and investment policy.

#### FINANCIAL PLANNING AND CONSULTING (STAND-ALONE)

To the extent requested by a client, Private Ocean may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging Private Ocean to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Private Ocean setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Private Ocean commencing services. If requested by the client, Private Ocean may recommend the services of other professionals for implementation purposes (i.e., attorneys, CPAs, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Private Ocean. Please Note: It remains the client's responsibility to promptly notify Private Ocean if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Private Ocean's previous recommendations and/or services. Please Also Note: If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Private Ocean, shall be responsible for the quality and competency of the services provided.

#### ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS:

- Trustee Directed Plans. Private Ocean may be engaged to provide investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Private Ocean will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). Private Ocean will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.
- Participant Directed Retirement Plans. Private Ocean may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a *Retirement Plan Services Agreement* between Private Ocean and the plan. For such engagements, Private Ocean shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall

make their respective investment choices (which may include investment strategies devised and managed by Private Ocean), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

- Client Retirement Plan Assets. If requested to do so, Private Ocean shall provide investment advisory services relative to the client's 401(k) plan assets. In such event, Private Ocean shall recommend that the client allocate the retirement account assets among the investment options available on the 401(k) platform. Private Ocean shall be limited to making recommendations regarding the allocation of the assets among the investment alternatives available through the plan. Private Ocean will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Private Ocean of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

## MISCELLANEOUS DISCLOSURES

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by the client, Private Ocean will generally provide financial planning and related consulting services regarding non-investment related matters, such as tax planning, insurance, etc. Private Ocean will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions may occur based upon assets under management, special projects, etc. for which Private Ocean may charge a separate fee). If engaged to do so, Private Ocean may also provide financial planning services on a stand-alone separate negotiated fee basis per the terms and conditions of a separate written agreement. Please Note: Private Ocean does not serve as an attorney, accountant or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, Private Ocean does not prepare legal documents or tax returns, nor does it sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Private Ocean and/or its representatives. Please Also Note: If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Private Ocean, shall be responsible for the quality and competency of the services provided. Please

Further Note. Private Ocean believes that it is important for the client to address financial planning issues on an ongoing basis. Private Ocean's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Private Ocean.

Non-Discretionary Service Limitations. Clients that determine to engage Private Ocean on a non-discretionary investment advisory basis must be willing to accept that Private Ocean cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Private Ocean would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Private Ocean will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

Retirement Plan Rollovers-No Obligation/Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Private Ocean recommends that a client roll over their retirement plan assets into an account to be managed by Private Ocean, such a recommendation creates a conflict of interest if Private Ocean will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Private Ocean. Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above.

Use of Mutual Funds: While Private Ocean may recommend allocating investment assets to mutual funds that are not available directly to the public, Private Ocean may also recommend that clients allocate investment assets to publicly-available mutual funds that the client could obtain without engaging Private Ocean as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging Private Ocean as an investment adviser, the client or prospective client would not receive the benefit of Private Ocean's initial and ongoing investment advisory services. Please Note – Use of DFA Mutual Funds: Private Ocean utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate Private Ocean's services, and transition to another adviser who has not been approved by DFA to utilize DFA funds,

restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply. Please Also Note: In addition to Private Ocean's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). ANY QUESTIONS: Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above.

Custodian Charges-Additional Fees: As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Private Ocean, with limited exceptions, primarily recommends that Schwab and/or Fidelity serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and Fidelity charge transaction fees for effecting certain securities transactions in accordance with their respective transaction fee schedules. In addition to Private Ocean's investment advisory fee referenced in Item 5 below, the client may also incur transaction fees to purchase certain types of securities for the client's account. ANY QUESTIONS: Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above.

Portfolio Activity. Private Ocean has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Private Ocean will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Private Ocean determines that changes to a client's portfolio are neither necessary, nor prudent. Private Ocean's advisory fee as described at Item 5 below remains payable during such periods. Of course, as indicated below, there can be no assurance that investment decisions made by Private Ocean will be profitable or equal any specific performance level(s).

ByAllAccounts and eMoney. Private Ocean, in conjunction with the services provided by ByAllAccounts, Inc. and eMoney, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Private Ocean (the "Excluded Assets"). The client and/or their other advisors that maintain trading authority, and not Private Ocean, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless otherwise specifically agreed to, in writing, Private Ocean's service relative to the Excluded Assets is limited to reporting only. The



sole exception to the above shall be if Private Ocean is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Private Ocean does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Private Ocean were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Private Ocean shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Private Ocean provide investment management services for the Excluded Assets, the client may engage Private Ocean to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Private Ocean and the client. In addition, the eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Private Ocean. Finally, Private Ocean shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Private Ocean's assistance or oversight.

Cash Positions. All cash positions (money markets, etc.) may be included as part of assets under management for purposes of calculating Private Ocean's advisory fee. Please Further Note: When the account is holding cash positions, those cash positions will be subject to the same fee schedule as set forth below. Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

Independent Managers. Private Ocean may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. Private Ocean generally considers the following factors when recommending Independent Manager(s): the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. Private Ocean shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The investment management fee charged by the Independent Manager(s), which is set forth in a separate written agreement between Private Ocean, the Independent Manager, and the

client, is separate from, and in addition to, Private Ocean's advisory fee as set forth in Item 5.

Private Investment Funds. When consistent with the client's investment objectives and financial situation, Private Ocean may recommend that a client consider the purchase of a private placement or private investment fund. In addition, a limited number of clients have transferred in private placement holdings and continue to retain legacy private fund investments, which Private Ocean continues to monitor and report on. Unless otherwise agreed, the amount of assets invested in the funds continue to be included as part of "assets under management" for purposes of Private Ocean calculating its investment advisory fee.

Private investments generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each offering's disclosure and/or subscription documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investments do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, Private Placement Memorandum, or some similar agreement, pursuant to which the client shall establish that he/she is qualified for investment in the offering and will acknowledge and accept the various risk factors that are associated with such an investment.

In the event that Private Ocean references private investment funds owned by the client on any supplemental account reports prepared by Private Ocean, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected on any supplemental account report.

Client Obligations. In performing its services, Private Ocean shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains the client's responsibility to promptly notify Private Ocean if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Private Ocean's previous recommendations and/or services.

Disclosure Statement. A copy of Private Ocean's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

C. Private Ocean will tailor its investment advisory services specific to the needs of each client, as discussed under Item 4B above. The client may impose reasonable restrictions upon Private Ocean's services at any time by providing the same in writing.

D. Private Ocean does not participate in a wrap fee program.

E. As of December 31, 2020, Private Ocean had \$2,426,706,066 in assets under management on a discretionary basis and \$12,400,484 in assets under management on a non-discretionary basis.

## ITEM 5 FEES AND COMPENSATION

A. Private Ocean offers its services on a negotiable fee-only basis.

### INVESTMENT ADVISORY FEES

If a client engages Private Ocean to provide discretionary and/or non-discretionary investment advisory services, the annual investment advisory fee will be generally based upon a percentage (%) of the market value and type of assets placed under Private Ocean's management (between 0.25% and 1.00%) as follows:

<u>Market Value of Portfolio*</u>	<u>Annual Fee</u>
Initial \$2 million	1.00%
Next \$3 million	0.85%
Next \$5 million	0.55%
All additional amounts	0.25%

\*See additional disclosure at Item 7 below regarding advisory fees and annual minimums

Private Ocean's annual investment advisory fee shall be prorated and paid quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. For new clients, prorated fee adjustments will be applied for account deposits and withdrawals made during a billing period, if the net result of such adjustments is \$10 or greater. Existing and legacy clients may be subject to different arrangements with respect to fee adjustments for account deposits and withdrawals, and such clients are advised to discuss their specific arrangement with their Private Ocean representative. Private Ocean's Chief Compliance Officer, Justin Hult, remains

available to address any questions that a client or prospective client may have regarding Private Ocean's fee billing practices.

Clients may elect to have Private Ocean's advisory fees deducted from their custodial account. Both Private Ocean's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Private Ocean's investment advisory fee and to directly remit that management fee to Private Ocean in compliance with regulatory procedures. In the limited event that Private Ocean bills the client directly, payment is due upon receipt of Private Ocean's invoice.

Private Ocean may charge a lesser investment advisory fee, charge a flat fee, or waive its fee entirely based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, grandfathered fee schedules, Private Ocean employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding advisory fees.

### INDEPENDENT MANAGER FEES

Separate account investment through Private Ocean can include three component costs: (1) Private Ocean's investment advisory fees (discussed above); (2) custodial fees (discussed in Item 5.C below); and (3) money management fees charged by the Independent Manager.

Independent Managers also charge management fees in addition to the above. Private Ocean primarily recommends separate account managers approved by Charles Schwab and Co., Inc. ("Schwab"), but periodically investigates other separate account managers to determine whether it could secure better qualitative pricing for its clients from other sources. In doing so, Private Ocean considers, among other factors: the full range and quality of the services offered, the execution capability, the rates charged, the manager's level of service, the manager's financial responsibility, and the manager's responsiveness to Private Ocean.

### FINANCIAL PLANNING AND CONSULTING FEES

Private Ocean may choose to offer individual financial consultations at a negotiable rate of \$250 - \$500 per hour, depending upon the nature of the relationship, level and scope

of service(s) required, and the professional rendering the service(s). Half of the estimated fee for this service is payable upon signing of a Financial Planning Agreement, and the other half upon completion of the consultation. If the client terminates the Financial Planning Agreement before the consultation is completed, Private Ocean will issue a prorated refund, deducting fees for time and expenses already incurred. This fee is no longer refundable upon completion of the consultation and/or presentation of written advice to the client.

#### RETIREMENT PLAN CONSULTING FEES

Retirement Plan Consulting fees are based on a percentage of plan assets, with annual fees generally ranging from 0.25% - 0.75%, depending on factors, in accordance with the terms of the client's Retirement Plan Services Agreement. Private Ocean, at its sole discretion, may also determine to provide retirement plan services pursuant to a fixed-fee arrangement, which fee shall be negotiated and agreed upon by the client prior to entering into a Retirement Plan Services Agreement with Private Ocean. **Please Note: Fee Differentials.** Private Ocean shall generally price its retirement plan services based upon various objective and subjective factors. As a result, Private Ocean's clients could pay diverse fees based upon the market value of the plan's assets, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, negotiations, and other factors. As a result, similarly situated clients could pay diverse fees, and the services to be provided by Private Ocean to any particular plan could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS:** Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions regarding Fee Differentials.

**Please Note:** Private Ocean acquired an unaffiliated registered investment adviser in 2018. Certain clients who transitioned to Private Ocean as part of this acquisition may be subject to fee arrangements (including fee timing, frequency, calculation methodology, and fee amount) that differ from those described herein. As an accommodation to such acquired clients, Private Ocean will maintain such fee arrangements, consistent with the terms of the clients' current advisory agreement. Clients are advised to review their advisory agreement for further details. **ANY QUESTIONS:** Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding advisory fees.

B. Clients may elect to have Private Ocean's investment advisory fees deducted from their custodial account. Private Ocean's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Private Ocean's investment advisory fee and to directly remit that

management fee to Private Ocean in compliance with regulatory procedures. As indicated above, Private Ocean deducts fees and/or bill clients quarterly in advance or arrears, based upon the market value of the assets on the last business day of the previous quarter.

C As discussed below, unless the client directs otherwise or an individual client's circumstances require, Private Ocean generally recommends that Schwab and/or Fidelity Investments ("Fidelity") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions in accordance with their respective brokerage commission and transaction fee schedules. In addition to Private Ocean's investment advisory fee and applicable brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Clients who purchase bonds directly from an underwriter may pay a sales credit or sales concession on the trade ranging from 0% - 2% of the par value of the bond, in lieu of a sales commission. The client's custodian may also impose a fee on the transaction as well.

D. As stated above, Private Ocean's annual investment advisory fee will be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter.

For new clients, prorated fee adjustments will be applied for account deposits and withdrawals made during a billing period, if the net result of such adjustments is \$10 or greater. Existing and legacy clients may be subject to different arrangements with respect to fee adjustments for account deposits and withdrawals, and such clients are advised to discuss their specific arrangement with their Private Ocean representative. Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding Private Ocean's fee billing practices.

The Investment Advisory Agreement between Private Ocean and the client will continue in effect until terminated by either party by written notice in accordance with the terms of that agreement. Upon termination, Private Ocean will debit the account for the prorated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter. **ANY QUESTIONS:** Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding advisory fees.

E. Neither Private Ocean, nor its representatives accept compensation from the sale of securities or other investment products.

## ITEM 6 PERFORMANCE –BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither Private Ocean, nor any of its supervised persons accept performance-based fees.

## ITEM 7 TYPES OF CLIENTS

Private Ocean's clients include: individuals, high net worth individuals, trusts and estates, pensions and profit sharing plans, charitable organizations, and other business entities. Private Ocean generally requires a minimum annual fee of \$15,000, and/or a minimum asset value of \$2,000,000. However, Private Ocean may, in its sole discretion, reduce the minimum annual investment advisory fee or minimum asset level, reduce the annual investment advisory fee percentage, or enter into an alternative fee arrangement, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, the amount of time necessary to manage the assets, related account values, account composition, competition, negotiations with client, competition, etc.). **Please Note:** If a client is accepted with less than \$1,500,000 in assets under Private Ocean's management, and is subject to the \$15,000 annual minimum fee, the client will pay a higher percentage annual investment advisory fee than the 1.00% referenced in the above fee schedule. **Please Also Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding advisory fees.

## ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. Private Ocean may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Private Ocean may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)

- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Private Ocean) will be profitable or equal any specific performance level(s).

B. Private Ocean's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Private Ocean must have access to current/new market information. Private Ocean has no control over the dissemination rate of market information; therefore, unbeknownst to Private Ocean, certain analyses may be compiled with outdated market information, severely limiting the value of Private Ocean's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Private Ocean's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

C. Currently, Private Ocean allocates client investment assets on a discretionary and non-discretionary basis primarily among mutual funds, exchange traded funds and separate account managers in accordance with the client's designated investment objective(s).

Risks associated with these asset types include:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be



caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
5. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
6. Market Risk (Systematic Risk): Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.
7. Unsystematic Risk: Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
8. Income Risk: Income risk is the risk that falling interest rates will cause the investment's income to decline.
9. Purchasing Power Risk: Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply. Rising inflation means that if you have

\$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.

10. Political Risks: Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
11. Regulatory Risk: Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
12. Risks Related to Investment Term: Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not what we believe it is truly worth. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value.

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

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares can differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies can cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no

guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeems shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

When consistent with the client's investment objectives and financial situation, Private Ocean may also recommend and/or utilize certain options strategies in the management of client accounts. These strategies are described more fully below:

**Covered Calls.** Covered call writing is the sale of in-, at-, or out-of-the-money call options against a long security position held in a client portfolio. This type of transaction is intended to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position before its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. There can be no assurance that the security will not be called away by the option buyer, which will result in the client (option writer) to lose ownership in the security and incur potential unintended tax consequences. Covered call strategies are generally suited for positions with little price volatility.

**Protective Puts.** A protective put is a risk management strategy where a put or puts are purchased against a long position. The objective of the strategy is to reduce the directional risk and exposure of the underlying security(ies) while allowing for upside gains if the security(ies) continues to increase in value beyond the debit paid. With a protective put strategy, while the long put provides some temporary protection from a decline in the price of the corresponding stock, it does involve risking the entire cost of the put position. Should the long put position expire worthless, the entire cost of the put position would be lost.

**Use of Margin and Securities Based Loans.** Private Ocean does not generally recommend the use of margin loans or securities-based loans (collectively, "SBLs") as an investment strategy, in which the client would leverage borrowed assets as collateral for the purchase of additional securities. However, Private Ocean may recommend that a client establish a margin account with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access SBLs for financial planning and cash flow management purposes. For example, Private Ocean may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real

estate-backed loan, an SBL has the potential benefit of enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to those described below. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing “margin calls” and liquidating securities and other assets in the client’s accounts. The following describes some of the risks associated with SBLs, which Private Ocean recommends that clients consider before participating in an SBL program:

1. Increased Portfolio Risk, Including the Risk for Potential Losses in the Event of a Downturn: Borrowing money on margin to pay bills or other expenses increases a client’s level of exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the SBL. In some circumstances, clients may lose more money than they originally invested and borrowed. As the marginable investments in a client’s portfolio provide the collateral for the SBL, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same.
2. The Potential Obligation to Post Collateral or Repay the SBL if the SBL Lender Determines that the Value of Collateralized Securities is No Longer Sufficient to Support the Value of the SBL: The SBL requires a certain minimum value of equity to continue service of the SBL (the “Maintenance Requirement”). If the value of the client’s portfolio securities decline in value, so does the value of the collateral supporting the SBL. If the value of the SBL collateral declines to an amount where it is no longer sufficient to support the borrower’s line of credit or loan, the SBL Lender will issue a “Maintenance Call” (also referred to as a “margin call”). In that event, the client would be required to post additional collateral or repay the SBL within a specified period of time. The SBL Lender is also commonly entitled to increase its Maintenance Requirement at any time, without having to provide prior written notice to the borrower. As a result, borrowers are subject to risk of repayment of the loan and should be aware of

such risks when foregoing a traditional mortgage to finance a real estate purchase.

3. **The Risk that the SBL Lender may Liquidate the Client's Securities to Satisfy its Demand for Additional Collateral or Repayment:** The SBL Lender commonly reserves the right to render the borrower's repayment immediately due, and/or terminate the SBL at any time without cause, at which point, the outstanding SBL balance would become immediately due and payable. However, if the borrower is unable to add additional collateral to their account or repay the loan with readily available cash, the SBL Lender can typically liquidate the borrower's securities and keep the cash to satisfy the Maintenance Call. When liquidating the securities of the borrower's investment portfolio, the SBL Lender usually reserves the right to decide which securities to sell to protect its interests and is not necessarily required to provide written notice of its intentions to liquidate. Accordingly, clients who borrow money through an SBL should be aware of this risk and that such risk is not limited to the margin in the client's account, which could result in the client having to owe additional money or collateral to the SBL Lender after the positions are liquidated. It is therefore possible that a client can lose more money than what the client originally invested into the portfolio.
4. **Liquidity Risk:** SBLs also have a significant effect on the liquidity of a client's portfolio. Namely, a security (whether an equity, mutual fund or ETF) that is used as collateral for an SBL loses its liquidity as long as the SBL is outstanding. Decreased liquidity increases portfolio risk and restricts a client's access to their funds, which clients should strongly consider before using an SBL.
5. **Impact of Margin on Client Fees:** Private Ocean generally assesses its asset-based fees on the market value of the client assets, gross of any outstanding SBL balance. Accordingly, Private Ocean has a conflict of interest in recommending that clients utilize SBLs to access cash, rather than selling assets which are included in Private Ocean's asset-based fee calculation.

## ITEM 9 DISCIPLINARY INFORMATION

Private Ocean has not been the subject of any disciplinary action.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Neither Private Ocean, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Private Ocean, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Private Ocean has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Private Ocean does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

#### ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Private Ocean maintains an investment policy relative to personal securities transactions. This investment policy is part of Private Ocean's overall Code of Ethics, which serves to establish a standard of business conduct for all of Private Ocean's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Private Ocean also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Private Ocean or any person associated with Private Ocean.

- B. Neither Private Ocean nor any related person of Private Ocean recommends, buys, or sells for client accounts, securities in which Private Ocean or any related person of Private Ocean has a material financial interest.
- C. Private Ocean and/or representatives of Private Ocean may buy or sell securities that are also recommended to clients. This practice may create a situation in which Private Ocean and/or representatives of Private Ocean are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Private Ocean did not have adequate policies in place to detect such

activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Private Ocean’s clients) and other potentially abusive practices.

Private Ocean has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Private Ocean “Access Persons”. Private Ocean’s securities transaction policy requires that an Access Person of Private Ocean must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least quarterly, and once each twelve (12) month period thereafter on a date Private Ocean selects.

D. Private Ocean and/or representatives of Private Ocean may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation in which Private Ocean and/or representatives of Private Ocean are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, Private Ocean has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Private Ocean’s Access Persons.

## ITEM 12 BROKERAGE PRACTICES

A. In the event that the client requests that Private Ocean recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Private Ocean to use a specific broker-dealer/custodian), Private Ocean, with limited exception, generally recommends that investment management accounts be maintained at Charles Schwab & Co., Inc.’s Institutional Division (“Schwab”) or with Fidelity Investments (“Fidelity”). Both Schwab and Fidelity are registered broker-dealers and members of the Securities Investor Protection Corporation (“SIPC”). Before engaging Private Ocean to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Private Ocean setting forth the terms and conditions under which Private Ocean will manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Private Ocean considers in recommending Schwab, Fidelity or any other broker-dealer/custodian to clients include historical relationship with Private Ocean,

financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Private Ocean's clients shall comply with Private Ocean's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Private Ocean determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Private Ocean will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Private Ocean's investment advisory fee..

1. Non-Soft Dollar Research and Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Private Ocean receives from Schwab and/or Fidelity (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Private Ocean to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Private Ocean can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Private Ocean in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Private Ocean in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Private Ocean to manage and further develop its business enterprise.

Private Ocean's clients do not pay more for investment transactions effected and/or assets maintained at Schwab or Fidelity as a result of this arrangement. There is no corresponding commitment made by Private Ocean to Schwab, Fidelity or any other entity to invest any specific amount or percentage of client



assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Additional Benefits – Schwab Advisor Services™. Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Private Ocean. Schwab Advisor Services™ provides Private Ocean and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Private Ocean manage or administer its clients' accounts while others help Private Ocean manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Private Ocean or to third parties on Private Ocean's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Private Ocean does not have to request them) and at no charge to Private Ocean. The availability of these services from Schwab benefits Private Ocean because Private Ocean does not have to produce or purchase them. Private Ocean is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

**Services that Benefit the Client:** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Private Ocean might not otherwise have access or that would require a significantly higher minimum initial investment by Private Ocean's clients. Schwab's services described in this paragraph generally benefit Private Ocean's clients and their accounts.

**Services that May Not Directly Benefit the Client:** Schwab also makes available to Private Ocean other products and services that benefit Private Ocean but may not directly benefit Private Ocean's clients or their accounts. These products and services assist Private Ocean in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Private Ocean may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Private Ocean's fees from Private Ocean's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Private Ocean: Schwab also offers other services intended to help Private Ocean manage and further develop its business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Private Ocean. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Private Ocean with other benefits such as occasional business entertainment of its personnel.

Private Ocean has received from Schwab, certain Additional Benefits that may or may not be offered to Private Ocean again in the future. Specifically, the Additional Benefits include \$10,000 in economic assistance to use towards technology, research, marketing, and/or compliance consulting expenses. Private Ocean has no expectation that these Additional Benefits will be offered again; however, Private Ocean reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Private Ocean in its sole discretion and at its own expense, and neither Private Ocean nor its clients pay any fees to Schwab for the Additional Benefits. The recommendation by Private Ocean or its representatives that a client select Schwab as designated broker-dealer/custodian for their accounts or transfer their account assets from another broker-dealer/custodian to Schwab presents a conflict of interest, because Private Ocean has and may continue to have the incentive to make such a recommendation based on its interest in receiving the Additional Benefits to benefit its business interests, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions.

**Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

2. Private Ocean previously participated in Schwab Advisors Network referral program. See Item 14.A for details.
3. Directed Brokerage. Private Ocean does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Private Ocean will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Private Ocean. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Private Ocean to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Private Ocean. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

B. The transactions for each client account generally will be effected independently, unless Private Ocean decides to purchase or sell the same securities for several clients at approximately the same time. Private Ocean may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Private Ocean's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Private Ocean shall not receive any additional compensation or remuneration as a result of such aggregation.

## ITEM 13      REVIEW OF ACCOUNTS

A. For those clients to whom Private Ocean provides investment supervisory services, account reviews are conducted on an ongoing basis by Private Ocean's Principals and/or representatives. In fact, Private Ocean's Principals or representatives generally attempts to conduct a meeting or conference call with each client at least once a year ("Annual Meeting"), and the client's account is formally reviewed in preparation of the Annual Meeting, if one is to occur. Private Ocean may decline the Annual Meeting if the client is unavailable or if Private Ocean, in its sole discretion, deems an annual meeting unnecessary. Accounts are also frequently reviewed on an informal basis in connection with deposits to or withdrawals from accounts, major market movements that we feel may affect our accounts, and in the course of unscheduled telephone conferences with clients.

All investment supervisory clients are advised that it remains their responsibility to advise Private Ocean of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Private Ocean on an annual basis.

B. Private Ocean may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Private Ocean may also provide access to an electronic report on its Private Ocean Client Portal summarizing account activity and performance. Further, reports on the Private Ocean Client Portal are accessible by clients on the Private Ocean web site. Such reports on the Private Ocean Client Portal generally show the amount originally invested, current value of investment assets, gains and losses relative to beginning values, and compounded rates of return for the portfolio.

Clients also receive Private Ocean Newsletter covering global asset class performance, special investment or financial planning topics, & administrative matters.

## ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION

A. As referenced in Item 12.A above, Private Ocean can also receive economic benefits from Schwab and Fidelity, including support services and products without cost or at a discount. In addition, Private Ocean has received certain Additional Benefits from Schwab, which Additional Benefits are further discussed in Item 12.A above. Private Ocean's clients do not pay more for investment transactions effected and/or assets maintained at Schwab or Fidelity as a result of these arrangements. There is no corresponding commitment made by Private Ocean to Schwab, Fidelity, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

B. Private Ocean currently maintains solicitor relationships with one or more third parties. If a client is introduced to Private Ocean by either an unaffiliated or an affiliated solicitor, Private Ocean may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Private Ocean's investment advisory fee and shall not result in any additional charge to the client. If the client is introduced to Private Ocean by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of Private Ocean's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Private Ocean and the solicitor, including the compensation to be received by the solicitor from Private Ocean.

Private Ocean may receive client referrals from Zoe Financial, Inc. through its participation in Zoe Advisor Network (ZAN). Zoe Financial, Inc. is independent of and unaffiliated with Private Ocean and there is no employee relationship between them. Zoe Financial established the Zoe Advisor Network as a means of referring individuals and other investors seeking fiduciary personal investment management services or financial planning services to independent investment advisors. Zoe Financial does not supervise Private Ocean and has no responsibility for Private Ocean's management of client portfolios or Private Ocean's other advice or services. Private Ocean pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of the advisory fee that the client pays to Private Ocean ("Solicitation Fee"). Private Ocean will not charge clients referred through Zoe Advisor Network any fees or costs higher than its standard fee schedule offered to its clients. For information

regarding additional or other fees paid directly or indirectly to Zoe Financial, Inc., please refer to the Zoe Financial Disclosure and Acknowledgement Form.

Private Ocean previously received client referrals from Schwab through its participation in Schwab Advisors Network ("the Service"). Private Ocean no longer receives client referrals from Schwab through the Service.

Even though Private Ocean no longer receives client referrals through the Service, Private Ocean continues to pay 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 and Private Ocean remains the investment advisor for the account. The Participation Fee paid by Private Ocean is either a percentage of the value of the assets in the client's account or a percentage of the investment management fees associated with the account. Private Ocean 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 Private Ocean quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Private Ocean and not by the client. Private Ocean has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Private Ocean charges clients with similar portfolios who were not referred through the Service.

Private Ocean 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 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 Advisor generally would pay in a single year. Thus, Private Ocean will have an incentive to recommend that a referred client's accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of Private Ocean's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Private Ocean has an incentive to encourage household members of clients referred by Schwab to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Private Ocean's fees directly from the accounts.

## ITEM 15 CUSTODY

Private Ocean shall have the ability to deduct its advisory fee from the client's custodial account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Schwab, Fidelity, etc.) at least quarterly. **Please Note:** To the extent that Private Ocean provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Private Ocean with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Private Ocean's advisory fee calculation.

Private Ocean provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from Private Ocean to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination. **ANY QUESTIONS: Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## ITEM 16 INVESTMENT DISCRETION

The client can determine to engage Private Ocean to provide investment advisory services on a discretionary basis. Prior to Private Ocean assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming Private Ocean as the client's attorney and agent in fact, granting Private Ocean full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Private Ocean on a discretionary basis may, at anytime, impose restrictions, in writing, on Private Ocean's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Private Ocean's use of margin, etc.).

## ITEM 17 VOTING CLIENT SECURITIES

A. Private Ocean generally does not vote client proxies. In most instances, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

However, in rare instances, where Private Ocean may use the services of other third-party Independent Manager(s), such Independent Manager(s) may retain the right to vote proxies for securities held in client accounts. As a matter of policy and as a fiduciary, the Independent Manager(s) has the responsibility for voting proxies consistent with the best economic interests of the client. The Independent Manager(s) shall exercise its proxy voting authority in accordance with its proxy voting policies and procedures as detailed in the Form ADV Part 2A of the Independent Manager(s). The Independent Manager(s) shall provide such information relating to its exercise of proxy voting authority (including the manner in which it has voted proxies and its resolution of conflicts of interest, if any) as reasonably requested by Private Ocean from time to time. Clients may obtain a copy of an Independent Manager's proxy voting policies by contacting Private Ocean's Chief Compliance Officer, Justin Hult.

B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Private Ocean to discuss any questions they may have with a particular solicitation.

#### ITEM 18 FINANCIAL INFORMATION

A. Private Ocean does not solicit fees of more than \$1,200, per client, six months or more in advance.

B. Private Ocean is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

C. Private Ocean has not been the subject of a bankruptcy petition.

ANY QUESTIONS: Private Ocean's Chief Compliance Officer, Justin Hult, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.