

Blue Ocean Portfolios, LLC  
1588 South Lindbergh, Suite 205  
Saint Louis, MO 63131  
314-997-7400  
[www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com)

March 31, 2017

This Brochure provides information about the qualifications and business practices of Blue Ocean Portfolios, LLC. If you have any questions about the contents of this Brochure, please contact us at 314-997-7400 or [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Blue Ocean Portfolios, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## Item 2 – Material Changes

The United States Securities and Exchange Commission requires that we provide to all clients an annual summary of material changes in ADV Part 2A. The summary discusses only specific material changes that were made to the brochure since the last annual update. We may further provide other ongoing disclosure information about material changes as necessary, at any time, without charge. A summary of material changes since the last annual update on February 16, 2016 is included as Exhibit A.

Currently, our Brochure may be requested by contacting James A. Winkelmann, Sr. Compliance Officer, at 314-997-7400 or [Jim@blueoceanportfolios.com](mailto:Jim@blueoceanportfolios.com). Our Brochure is also available on our web site [www.BlueOceanPortfolios.com](http://www.BlueOceanPortfolios.com), free of charge. Additionally, we ensure that our clients receive a summary of any material changes to this Brochure and subsequent Brochures within 120 of the close of our business' fiscal year, **December 31<sup>st</sup>**.

Additional information about Blue Ocean Portfolios, LLC 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 Blue Ocean Portfolios, LLC who are registered, or are required to be registered, as investment adviser representatives of Blue Ocean Portfolios, LLC.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes .....	2
Item 3 -Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation.....	7
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients .....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	11
Item 11 – Code of Ethics.....	12
Item 12 – Brokerage Practices.....	13
Item 13 – Review of Accounts.....	13
Item 14 – <i>Client</i> Referrals and Other Compensation.....	14
Item 15 – Custody.....	15
Item 16 – Investment Discretion .....	15
Item 17 – Voting <i>Client</i> Securities .....	15
Item 18 – Financial Information .....	16
<b>Exhibit A – Summary of Material Changes Since Last Annual Update .....</b>	<b>17</b>
Brochure Supplements	

## Item 4 – Advisory Business

Blue Ocean Portfolios, LLC (Blue Ocean Portfolios) was established in 2009. The principal owner is 23 Glen Abbey Partners, LLC, which is a family limited partnership managed by James A. Winkelmann, Sr. Patricia L. Winkelmann owns 40% of 23 Glen Abbey Partners, LLC. Blue Ocean Portfolios' is located in Saint Louis, MO.

Currently James A. Winkelmann is the current Chief Executive Manager for Blue Ocean Portfolios, LLC. In January of 2016 Blue Ocean Portfolios, LLC instituted a succession/contingency plan. In the event that Mr. Winkelmann is not able to fulfill his duties as Chief Executive then David Smith has the authority and capacity to step in and assume the duties as the Chief Executive for Blue Ocean Portfolios, LLC. Until such time, David Smith will be a Registered Investment Advisor Representative with Blue Ocean Portfolios.

Blue Ocean Portfolios provides portfolio management services designed to provide supervision to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, endowments corporations and other business entities. Blue Ocean Portfolios assumes a fiduciary role in managing its client portfolios.

The majority of client accounts are expected to consist of index funds, exchange traded funds (Index funds/ETFs), government bonds, Certificates of Deposit, Indexed-based Bond Funds/ETFs, mutual funds and from time to time, annuity contracts. From time to time, due to special circumstances surrounding the individual account, individual common stock and bond holdings may also be included, although they generally will be avoided. Blue Ocean Portfolios at all times will attempt to seek the most efficient exposure to the various asset classes. Generally, Blue Ocean Portfolios believes that index funds provide the most efficient wealth management vehicles.

Each prospective client is required to complete an Investment Advisory Agreement and Request for Fiduciary Services on which terms and conditions are disclosed. The client will also complete forms disclosing personal data, including information such as age, marital status, income and net worth.

In addition, a prospective client may supply further details to his/her financial plans. Various additional subjects relating to investment objectives may be discussed at this time. Prospective clients who hold pension/profit sharing plans or trusts/estates and corporations may have previously set their own objectives and will simply be retaining

Blue Ocean Portfolios as portfolio managers and advisors. Blue Ocean Portfolios is also able to help develop an Investment Policy as part of its ongoing business practices. Blue Ocean Portfolios may also provide financial planning services, including tax planning, income planning, insurance planning, retirement planning and estate planning. Financial planning services may include consultations and/or written plans, which analyze a client's financial situation and make appropriate recommendations for strategies and methods of implementation of the strategies. This service is provided at no charge or obligation to current clients.

From time to time, Blue Ocean Portfolios hosts complimentary client appreciation dinners where current clients and guests are treated to celebrity speakers and/or comments about economic and market activities. Additionally, Blue Ocean Portfolios offers less formal "Lunch and Learns" that discuss various aspects of macro and micro economic events and how the consequences thereof could impact clients' holdings and lifestyles.

Client accounts are held at FINRA member firms unrelated to Blue Ocean Portfolios. Any applicable custody fees are charged separately by these firms. Blue Ocean Portfolios has a non-compensated working relationship through Scottrade, Inc. in its advisor programs. The vast majority of the Blue Ocean Portfolios investment advisory clients utilize this arrangement through Scottrade, Inc. From time to time Blue Ocean Portfolios may be retained to manage sub-allocation for clients who have existing long term investments in variable annuity contracts. In these instances, Blue Ocean Portfolios is retained on a similar fee-only basis.

Scottrade, Inc., third party life insurance companies or the selected brokerage firm is given, by documents signed, limited power to accept orders from Blue Ocean Portfolios and to withdraw management fees. The client retains total control and ownership of all cash and securities in the managed account. Unless the client consents otherwise, only the client can give instructions to the broker relative to withdrawal of cash or securities from an account. Blue Ocean Portfolios' authority is limited to the placement of purchase or sale orders with the broker and withdrawal of management fees. The limited power of attorney can be terminated by the client at any time by notifying either the broker or Blue Ocean Portfolios.

Blue Ocean Portfolios provides investment advice to clients and management of their investment portfolios consistent with their needs and objectives. Blue Ocean Portfolios also provides quarterly performance reports to clients. Blue Ocean Portfolios utilizes a rule-based asset allocation system using market sector Index Funds/ETFs, Certificates of Deposit and US Government Bonds based on the concept of "Constant Proportionality". It was developed for individual and institutional investment advisory accounts and consists of pre-set portfolios. These pre-set portfolios are appropriate for many circumstances but

Blue Ocean Portfolios can also customize a portfolio for the individual needs of clients. Clients may, at their discretion, impose restrictions on investing in certain securities or types of securities.

Constant Proportionality explicitly requires Blue Ocean Portfolios to maintain constant proportions in pre-agreed asset classes and/or securities. This practice requires Blue Ocean Portfolios to implement and manage a portfolio for the client based on their cash flow projections and investment objectives as they are provided to Blue Ocean Portfolios. The portfolio is monitored and rebalanced when relative valuations deviate past a triggering point. The trigger is dependent on the relative values of the portfolio components. This practice is rule based and forces profits to be harvested from over-performing segments and additional shares to be bought into underperforming segments. The result is a constant proportioned portfolio.

Portfolios are comprised of “components” such as Fixed Income, Value, Equity Index, Growth, Commodity Price Indexes, International, Small Company, Micro Company and International Emerging Markets. Components may vary based on the situation of the individual client and the cash flows the portfolio is funding.

Equity components will generally be comprised of different combinations of index funds/ETFs and from time to time, mutual funds. The International component is currently comprised of a combination of Index funds/ETFs representing both emerging and developed foreign markets. Blue Ocean Portfolio components are established and maintained using proprietary rule sets.

The majority of the portfolios include a fixed income component. The fixed income component is typically comprised of laddered maturity US Treasury Bonds, Exchange Traded or Indexed-based Bond Funds or Certificates of Deposit. This strategy mitigates credit risk and provides investors with likely outcomes.

Depending on the long-term goals and retirement needs of the client and the client’s current situation, the portfolio may also include variable annuities.

Blue Ocean Portfolios, LLC also provides fiduciary level services to qualified retirement plans. These services include assisting plan sponsors in the design of defined contribution retirement plans, the selection and on-going monitoring of other service providers such as third party plan administrators, record keepers, mutual funds and investment companies. Additionally, Blue Ocean Portfolios may provide participant level fiduciary based investment allocation advice. Blue Ocean Portfolios does not participate in any revenue sharing, commissions, 12b-1 fees, soft dollars arrangements, or directed trading from these

activities. Any and all fees are negotiated and fully disclosed and can be based on the number of participants in the plan, the asset base of the total plan or a flat fee.

The client may terminate the investment management agreement with written notice to Blue Ocean Portfolios. If the agreement is terminated during the first five business days from the date of execution, the client's fee will be returned. Thereafter, either party may terminate the investment management agreement at any time by giving thirty days advance written notice.

As of March 24, 2017, Blue Ocean Portfolios discretionary assets under management (AUM) were valued at approximately \$124,600,000.

### **Item 5 – Fees and Compensation**

Blue Ocean Portfolios' management fees are negotiable and may vary depending on the type of client and assets under management. Management fees are generally charged as a percentage of assets under management according to the following guidelines:

**Retail Clients:**

First \$500,000	1.00%
\$500,001 - \$1 Million	.75%
\$1 Million - \$5 Million	.50%
\$5 Million +	Negotiable

**Institutional Clients (minimum account value at time of inception of \$5 million in total assets):**

First \$5 Million	.20%
Next \$5 Million	.15%
Next \$10 Million	.10%
Over \$20 Million	.05%

**Not-for-Profit Accounts** less than \$5 million – receive a 25% discount from the standard fees.

**Defined Contribution Plans (401k and 403b):**

First \$500,000	1.00%
Next \$500,000	.75%
Next \$1 Million	.55%
Next \$3 Million	.35%
Next \$5 Million	.30%
Next \$10 Million	.25%
Over \$20 Million	.10%

The specific manner in which fees are charged by Blue Ocean Portfolios is established in a client's fee schedule and written agreement with Blue Ocean Portfolios. Blue Ocean Portfolios will generally bill its fees on a quarterly basis. Blue Ocean Portfolios' fees for management of portfolios are calculated as a percentage of the value of the account as of each billing period. The minimum annual fee is \$500. Clients may pay the quarterly fee in advance either by check, bank wire, or authorize Blue Ocean Portfolios to directly debit fees from the clients' account. If the agreement is terminated during the first five business days from the date of execution, the client's fee will be returned. Thereafter, accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Blue Ocean Portfolios' 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 investments and other third parties such as 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 Blue Ocean Portfolios fee and Blue Ocean Portfolios shall not receive any portion of these commissions, fees, and costs.

As noted under Item 4, Blue Ocean Portfolios may provide plan and participant level fiduciary services to defined contribution plans. Blue Ocean Portfolios may be compensated based on the number of participants in the plan or the asset base of the total plan. Any and all fees are negotiated and fully disclosed.

Item 12 further describes the factors that Blue Ocean Portfolios considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Blue Ocean Portfolios does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).



## Item 7 – Types of Clients

Blue Ocean Portfolios provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, endowments, corporations and other business entities. Blue Ocean Portfolios will assume a fiduciary role in managing its client portfolios.

The minimum account size for retail clients is \$50,000, although smaller accounts may be accepted on a case by case basis.

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

Blue Ocean Portfolios utilizes a “constant proportion” allocation strategy. It is the intent to keep the client portfolios on a constant allocation which requires minor rebalancing trades when relative drift tolerances are exceeded. The allocation itself depends on the current cash flow and future cash flow needs of the client, along with their objectives. The actual allocation parameters are derived from a proprietary methodology that blends various parts of the domestic and non-US equity markets, commodity markets as well as the intermediate US Treasury market. Blue Ocean Portfolios extensively utilizes index funds and index-based Exchange Traded Funds (Index Funds/ETFs) to achieve diversification and mitigate cost and risk.

Blue Ocean Portfolios utilizes the Efficient Market Hypothesis philosophy, which states that all known information is reflected in the current market price of the security, and that attempts to meaningful performance advantages over the market performance is futile. The only thing investors can control is allocation, rebalancing and cost. Blue Ocean Portfolios is a portfolio allocation system designed to manage risk, not chase or predict returns. Additionally, we believe that the outcome of any investment is unpredictable and random. **Investing in securities involves risk of loss that clients should be prepared to bear.**

Blue Ocean Portfolios utilizes constant allocation models that, from time to time, result in short-term rebalancing of the portfolios. However, it is the intent to keep the client portfolios on a constant allocation which requires minimal rebalancing trades. While short term trading may occur, these trades would be a result of actual market volatility, not market timing. Blue Ocean Portfolios receives no commissions or revenue share of any kind from trading activities.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that are material to your evaluation of Blue Ocean Portfolios or the integrity of Blue Ocean Portfolios' management.

In the wake of an audit in June of 2013, the United States Securities and Exchange Commission opened an investigation of Mr. Winkelmann and Blue Ocean Portfolios in September of 2014. Mr. Winkelmann and Blue Ocean cooperated fully with the investigation. In 2016 settlement discussions broke down after the Securities Exchange Commission and Mr. Winkelmann could not agree on the final language and terms of a contemplated agreement.

Then on May 19, 2016, the United States Securities and Exchange Commission (SEC) instituted public administrative and cease-and-desist proceedings (OIP) against James A. Winkelmann and Blue Ocean Portfolios, LLC (Blue Ocean) (collectively Respondents) alleging violations of Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940.

Specifically, the OIP alleged that Mr. Winkelmann and Blue Ocean made certain fraudulent misrepresentations and omissions and breached their fiduciary duty in connection with Blue Ocean's offerings of Royalty Units of Blue Ocean. The OIP alleged that in the course of the offerings, Respondents (i) overstated Blue Ocean's success in converting advertising spending into new revenue for Blue Ocean; (ii) made materially misleading statements regarding one of Mr. Winkelmann's business associates, Brian Binkholder, whose radio show Blue Ocean had engaged and touted in offering materials as the focus of its advertising campaign, by omitting the fact that Mr. Binkholder had been sanctioned by the Missouri Securities Division; (iii) failed to disclose that Blue Ocean could, and ultimately did, pay significant sums of money, in the form of "management fees," to three entities Mr. Winkelmann owned and controlled; (iv) concealed from their clients that Mr. Winkelmann repeatedly chose to pay Royalty Unit investors the minimum returns possible while increasing his own compensation; and (v) made materially misleading statements regarding the "alignment" of Mr. Winkelmann's and the Royalty Unit investors' interests and failed to disclose and explain alleged conflicts of the securities offerings.

A hearing was held on October 4, 2016, concluding October 14, 2016, in front of an SEC Administrative Law Judge. On March 20, 2017, the Administrative Law Judge, the Honorable Jason Patel, issued his Initial Decision.

Judge Patel found that the advertising factors set forth in the offering documents were not misleading and that the SEC's Division of Enforcement had failed to carry its burden of proof on the charge. The Judge also dismissed the SEC's allegations (1) that Mr. Winkelmann or Blue Ocean failed to disclose that Mr. Binkholder, Mr. Winkelmann's former associate, had been barred by the State of Missouri from acting as an investment advisor, and (2) that Mr. Winkelmann failed to disclose certain payments made to other Blue Ocean entities.

Judge Patel did conclude, however, that Mr. Winkelmann violated certain section of the Securities Act of 1933 and the Securities Exchange Act of 1940 because he did not disclose to existing Blue Ocean advisory clients who invested in the Royalty Unit offerings his conflicts of interest. As a sanction, the Administrative Law Judge imposed a permanent industry bar, disgorgement of \$415,000 plus interest, and civil penalties of \$187,500.

Mr. Winkelmann and Blue Ocean disagree with the Administrative Law Judge's finding that there was an undisclosed conflict of interest and intend to appeal the decision to the SEC for review. Additionally, Mr. Winkelmann and Blue Ocean also intend to ask the SEC to consider whether this proceeding properly complied with the Appointments Clause of the United States Constitution, in light of the 10<sup>th</sup> Circuit's recent ruling in *Bandimere v. SEC*.

The review and appeal of SEC administrative proceedings typically takes months, if not years, before fully resolved. Sanctions resulting from the Administrative Law Judge's Initial Decision are not effective until the matter is final, which occurs when the SEC's review of the Initial Decision is complete. Even then, however, a respondent has the right to appeal an adverse decision by the SEC to the United States Court of Appeals, and any sanctions imposed by the SEC may be stayed during the pendency of that appeal.

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

Blue Ocean Portfolios, LLC is a licensed insurance agency in the State of Missouri. Some Blue Ocean Portfolios investment advisor representatives are licensed to sell insurance products through various insurance companies and from time to time may effect transactions in insurance products for clients. Insurance commissions are paid directly to Blue Ocean Portfolios.

In the past and ending February of 2013, Blue Ocean had issued securities to finance business expansion and general corporate purposes. Going forward Blue Ocean Portfolios will no longer issue additional securities.

## Item 11 – Code of Ethics

Blue Ocean Portfolios has adopted a Code of Ethics for all supervised persons of the firm describing its high 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, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items as required, and personal securities trading procedures, among other things. All supervised persons at Blue Ocean Portfolios must acknowledge the terms of the Code of Ethics annually, or as amended.

Blue Ocean Portfolios anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Blue Ocean Portfolios has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of mutual fund securities, US Government or Treasury obligations or Certificates of Deposit, in which, its affiliates and/or clients, directly or indirectly, have a position of interest. **Blue Ocean Portfolios employees and persons associated with Blue Ocean Portfolios are required to follow Blue Ocean Portfolios Code of Ethics.** Subject to satisfying this policy and applicable laws, officers, directors and employees of Blue Ocean Portfolios may trade for their own accounts in securities which are recommended to and/or purchased for Blue Ocean Portfolios clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Blue Ocean Portfolios 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. The Code of Ethics restricts 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, and to reasonably prevent conflicts of interest between Blue Ocean Portfolios and its clients. A record is maintained for all securities transactions executed by Blue Ocean Portfolios and its related persons. These transactions are reviewed regularly by an officer of Blue Ocean Portfolios.

Blue Ocean Portfolios clients or prospective clients may request a copy of the firm's Code of Ethics by contacting James A. Winkelmann at 314-997-7400 or [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com).

It is Blue Ocean Portfolios' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Blue Ocean Portfolios 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**

Blue Ocean Portfolios may suggest to clients that securities transactions be executed through Scottrade Advisor Services, a division of *Scottrade, Inc., member FINRA/SIPC*, although clients are permitted to request executions be directed to other broker-dealers. Blue Ocean Portfolios believes that trades executed through *Scottrade*, at commission levels set by Scottrade, are comparable or lower to those of similar securities broker-dealers. Clients directing brokerage may be subject to higher brokerage commissions. Any products, research or services given to Blue Ocean Portfolios by *Scottrade* may be utilized for all clients. Blue Ocean Portfolios does not benefit in any way from the relationship between Blue Ocean Portfolios and *Scottrade*. The relationship between Blue Ocean Portfolios and *Scottrade* is solely for the client's benefit.

Under certain circumstances, the purchase or sale of securities may be entered on an aggregate basis across various accounts in compliance with Blue Ocean Portfolios' obligation of best execution. In such circumstances, the client accounts will share commission costs equally and receive securities at a total average price. Blue Ocean Portfolios will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

### **Item 13 – Review of Accounts**

Once a client's initial portfolio is established, the individual holdings are under continuous supervision by Blue Ocean Portfolios' Portfolio Administrators on a daily basis via a synchronized online portfolio management software utility to the broker-dealer/custodian. Daily notifications are received if a portfolio holding deviates from the established tolerance range and the portfolio management software will generate a report recommending rebalancing trades based on the previous day's closing price.

Clients have online access to all account activity in the brokerage account as well as daily access to their actual and relative performance reports through a secure login to the online portfolio management software.

Other special reviews of client portfolios are triggered by large increases/decreases in cash balances, deposits into or requests for withdrawals from a client's cash/securities account, changes in relevant customer profile information, changes in customer investment objectives, etc.

Clients have access to the broker-dealer detailed receipts for all deposits, individual confirmations for every transaction and receive a month-end statement showing each security holding, the number of shares held and a list of all account activity for the month.

At the end of the quarter in which a new account has been brought under management, and every three months thereafter, the client receives a quarterly performance statement from Blue Ocean Portfolios. This statement lists the securities in the client's portfolio, the number of shares held, the cash balance, the market price as of the date on the broker's month end statement and the total portfolio valuation. A management fee invoice is sent with each quarterly statement. Clients are notified via email when the quarterly reports are available and are able to view/print the reports and billing statements securely online. Clients may also request hard copies of the reports be mailed to them.

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

Registered investment advisers are required to disclose if they compensate any person other than a supervised person for client referrals or if they receive an economic benefit for providing investment advice from someone other than a client. At this time, Blue Ocean Portfolios does not directly or indirectly compensate any person(s) for client referrals or receive an economic benefit for providing investment advice from someone other than a client.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, insurance company, bank or other qualified custodian that holds and maintains client’s investment assets. Blue Ocean Portfolios urges its clients to carefully review such statements and compare such official custodial records to the quarterly account statements provided by Blue Ocean Portfolios. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

In regards to the approximately 10 Blue Ocean Portfolios clients who have also subscribed to royalty interests in the company; Blue Ocean Portfolios is considered to have custody of the accrued royalties payable to these clients for a period of time of less than thirty days between the time that the royalty is accrued by Blue Ocean Portfolios and the time the royalty disbursements are paid out to these same clients/investors. The majority of the royalties accrue on or around the fifth business day of each quarter and are promptly segregated in a separate bank account until disbursed to the clients/investors on around the first business day of the following month. The typical amount of total accrued royalties owed but not yet paid are currently less than \$30,000 per quarter. Blue Ocean Portfolios has engaged Anders Minkler Huber & Helm LLP to perform an annual surprise examination to determine if Blue Ocean Portfolios is in compliance with paragraph (a) (1) and Rule 206(4)-2(a) of the Investment Advisers Act of 1940.

## **Item 16 – Investment Discretion**

Blue Ocean Portfolios usually receives discretionary authority from the client at the onset of an advisory 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 stated investment objectives for the particular client account.

When selecting securities and determining amounts, Blue Ocean Portfolios observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to Blue Ocean Portfolios by the client in writing.

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

As a matter of firm policy and practice, Blue Ocean Portfolios does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Blue Ocean Portfolios may provide advice to clients regarding the clients' voting of proxies.

## **Item 18 - Financial Information**

Blue Ocean Portfolios is required in this Item to provide you with certain financial information or disclosures about its' financial condition. Blue Ocean Portfolios has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



## Exhibit A – Summary of Material Changes Since Last Annual Update

Following is a brief summary of the material changes that have occurred since our last annual update on **February 16, 2016**. You are encouraged to review any Item numbers referenced for additional information.

Item #9 – Disciplinary Information - This item was updated to include the following disclosure:

*In the wake of an audit in June of 2013, the United States Securities and Exchange Commission opened an investigation of Mr. Winkelmann and Blue Ocean Portfolios in September of 2014. Mr. Winkelmann and Blue Ocean cooperated fully with the investigation. In 2016 settlement discussions broke down after the Securities Exchange Commission and Mr. Winkelmann could not agree on the final language and terms of a contemplated agreement.*

*Then on May 19, 2016, the United States Securities and Exchange Commission (SEC) instituted public administrative and cease-and-desist proceedings (OIP) against James A. Winkelmann and Blue Ocean Portfolios, LLC (Blue Ocean) (collectively Respondents) alleging violations of Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940.*

*Specifically, the OIP alleged that Mr. Winkelmann and Blue Ocean made certain fraudulent misrepresentations and omissions and breached their fiduciary duty in connection with Blue Ocean's offerings of Royalty Units of Blue Ocean. The OIP alleged that in the course of the offerings, Respondents (i) overstated Blue Ocean's success in converting advertising spending into new revenue for Blue Ocean; (ii) made materially misleading statements regarding one of Mr. Winkelmann's business associates, Brian Binkholder, whose radio show Blue Ocean had engaged and touted in offering materials as the focus of its advertising campaign, by omitting the fact that Mr. Binkholder had been sanctioned by the Missouri Securities Division; (iii) failed to disclose that Blue Ocean could, and ultimately did, pay significant sums of money, in the form of "management fees," to three entities Mr. Winkelmann owned and controlled; (iv) concealed from their clients that Mr. Winkelmann repeatedly chose to pay Royalty Unit investors the minimum returns possible while increasing his own compensation; and (v) made materially misleading statements regarding the "alignment" of Mr. Winkelmann's and the Royalty Unit investors' interests and failed to disclose and explain alleged conflicts of the securities offerings.*

*A hearing was held on October 4, 2016, concluding October 14, 2016, in front of an SEC Administrative Law Judge. On March 20, 2017, the Administrative Law Judge, the Honorable Jason Patel, issued his Initial Decision.*

*Judge Patel found that the advertising factors set forth in the offering documents were not misleading and that the SEC's Division of Enforcement had failed to carry its burden of proof on the charge. The Judge also dismissed the SEC's allegations (1) that Mr. Winkelmann or Blue Ocean failed to disclose that Mr. Binkholder, Mr. Winkelmann's former associate, had been barred by the State of Missouri from acting as an investment advisor, and (2) that Mr. Winkelmann failed to disclose certain payments made to other Blue Ocean entities.*

*Judge Patel did conclude, however, that Mr. Winkelmann violated certain section of the Securities Act of 1933 and the Securities Exchange Act of 1940 because he did not disclose to existing Blue Ocean advisory clients who invested in the Royalty Unit offerings his conflicts of interest. As a sanction, the Administrative Law Judge imposed a permanent industry bar, disgorgement of \$415,000 plus interest, and civil penalties of \$187,500.*

*Mr. Winkelmann and Blue Ocean disagree with the Administrative Law Judge's finding that there was an undisclosed conflict of interest and intend to appeal the decision to the SEC for review. Additionally, Mr. Winkelmann and Blue Ocean also intend to ask the SEC to consider whether this proceeding properly complied with the Appointments Clause of the United States Constitution, in light of the 10<sup>th</sup> Circuit's recent ruling in *Bandimere v. SEC*.*

*The review and appeal of SEC administrative proceedings typically takes months, if not years, before fully resolved. Sanctions resulting from the Administrative Law Judge's Initial Decision are not effective until the matter is final, which occurs when the SEC's review of the Initial Decision is complete. Even then, however, a respondent has the right to appeal an adverse decision by the SEC to the United States Court of Appeals, and any sanctions imposed by the SEC may be stayed during the pendency of that appeal.*

## Brochure Supplements

James Arthur Winkelmann, Sr.,

Blue Ocean Portfolios, LLC

1588 South Lindbergh, Suite 205

Saint Louis, MO 63131

314-997-7400

March 31, 2017

**This Brochure Supplement provides information about James Arthur Winkelmann, Sr. (Jim Winkelmann) that supplements the Blue Ocean Portfolios, LLC Brochure. You should have received a copy of that Brochure. Please contact James A. Winkelmann at 314-997-7400 or [Jim@blueoceanportfolios.com](mailto:Jim@blueoceanportfolios.com) if you did not receive Blue Ocean Portfolios Brochure or if you have any questions about the contents of this supplement.**

**Additional information about James Arthur Winkelmann is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Item 2- Educational Background and Business Experience**

James A. Winkelmann, born June 2, 1958, is Chief Executive Officer and Principal of Blue Ocean Portfolios. He is a graduate of the University of Missouri (BA-Economics) and completed the Owner/President Management Executive Program at The Harvard Business School in 2009.

Mr. Winkelmann is the Business Manager for 23 Glen Abbey Partners, LLC, the principal owner of Blue Ocean Portfolios, LLC. Mr. Winkelmann is also the sole Director and Officer of Longrow Holdings, Inc. (LHI), as well as each of its wholly owned subsidiaries. LHI owns Longrow Insurance Agency, Inc., an insurance agency; Huntleigh Capital Management, Inc., a former registered investment advisor and Huntleigh Financial Services, Inc. All of the LHI

companies are in good standing but are not currently engaged in any commercial activities. Mr. Winkelmann devotes minimal time and attention to these companies.

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice.

In the wake of an audit in June of 2013, the United States Securities and Exchange Commission opened an investigation of Mr. Winkelmann and Blue Ocean Portfolios in September of 2014. Mr. Winkelmann and Blue Ocean cooperated fully with the investigation. In 2016 settlement discussions broke down after the Securities Exchange Commission and Mr. Winkelmann could not agree on the final language and terms of a contemplated agreement.

Then on May 19, 2016, the United States Securities and Exchange Commission (SEC) instituted public administrative and cease-and-desist proceedings (OIP) against James A. Winkelmann and Blue Ocean Portfolios, LLC (Blue Ocean) (collectively Respondents) alleging violations of Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940.

Specifically, the OIP alleged that Mr. Winkelmann and Blue Ocean made certain fraudulent misrepresentations and omissions and breached their fiduciary duty in connection with Blue Ocean's offerings of Royalty Units of Blue Ocean. The OIP alleged that in the course of the offerings, Respondents (i) overstated Blue Ocean's success in converting advertising spending into new revenue for Blue Ocean; (ii) made materially misleading statements regarding one of Mr. Winkelmann's business associates, Brian Binkholder, whose radio show Blue Ocean had engaged and touted in offering materials as the focus of its advertising campaign, by omitting the fact that Mr. Binkholder had been sanctioned by the Missouri Securities Division; (iii) failed to disclose that Blue Ocean could, and ultimately did, pay significant sums of money, in the form of "management fees," to three entities Mr. Winkelmann owned and controlled; (iv) concealed from their clients that Mr. Winkelmann repeatedly chose to pay Royalty Unit investors the minimum returns possible while increasing his own compensation; and (v) made materially misleading statements regarding the "alignment" of Mr. Winkelmann's and the Royalty Unit investors' interests and failed to disclose and explain alleged conflicts of the securities offerings.

A hearing was held on October 4, 2016, concluding October 14, 2016, in front of an SEC Administrative Law Judge. On March 20, 2017, the Administrative Law Judge, the Honorable Jason Patel, issued his Initial Decision.

Judge Patel found that the advertising factors set forth in the offering documents were not misleading and that the SEC's Division of Enforcement had failed to carry its burden of proof on the charge. The Judge also dismissed the SEC's allegations (1) that Mr. Winkelmann or Blue Ocean failed to disclose that Mr. Binkholder, Mr. Winkelmann's former associate, had been barred by the State of Missouri from acting as an investment advisor, and (2) that Mr. Winkelmann failed to disclose certain payments made to other Blue Ocean entities.

Judge Patel did conclude, however, that Mr. Winkelmann violated certain section of the Securities Act of 1933 and the Securities Exchange Act of 1940 because he did not disclose to existing Blue Ocean advisory clients who invested in the Royalty Unit offerings his conflicts of interest. As a sanction, the Administrative Law Judge imposed a permanent industry bar, disgorgement of \$415,000 plus interest, and civil penalties of \$187,500.

Mr. Winkelmann and Blue Ocean disagree with the Administrative Law Judge's finding that there was an undisclosed conflict of interest and intend to appeal the decision to the SEC for review. Additionally, Mr. Winkelmann and Blue Ocean also intend to ask the SEC to consider whether this proceeding properly complied with the Appointments Clause of the United States Constitution, in light of the 10<sup>th</sup> Circuit's recent ruling in *Bandimere v. SEC*.

The review and appeal of SEC administrative proceedings typically takes months, if not years, before fully resolved. Sanctions resulting from the Administrative Law Judge's Initial Decision are not effective until the matter is final, which occurs when the SEC's review of the Initial Decision is complete. Even then, however, a respondent has the right to appeal an adverse decision by the SEC to the United States Court of Appeals, and any sanctions imposed by the SEC may be stayed during the pendency of that appeal.

#### **Item 4- Other Business Activities**

The principal business of Mr. Winkelmann encompasses duties other than providing investment advice. These duties are directly associated with his involvement in the companies described in Item 2 above. Mr. Winkelmann devotes approximately 90% of time to Blue Ocean Portfolios and 10% of time to other business activities.

#### **Item 5- Additional Compensation**

Mr. Winkelmann does not receive any economic benefit for providing advisory services from anyone other than clients.

## **Item 6 - Supervision**

Mr. Winkelmann also serves as the Chief Compliance Officer of Blue Ocean Portfolios and is responsible for approving all client agreements, procedures and controls.

David Patrick Smith, CPA

Blue Ocean Portfolios, LLC

1588 South Lindbergh, Suite 205

Saint Louis, MO 63131

314-997-7400

March 31, 2017

**This Brochure Supplement provides information about David Patrick Smith (David Smith) that supplements the Blue Ocean Portfolios, LLC Brochure. . Please contact James A. Winkelmann at 314-997-7400 or [jim@blueoceanportfolios.com](mailto:jim@blueoceanportfolios.com) if you did not receive Blue Ocean Portfolios Brochure or if you have any questions about the contents of this supplement.**

**Additional information about David Patrick Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2- Educational Background and Business Experience**

*Born:* May 6, 1974

*Post-Secondary Education:*

Purdue University - BS in Engineering

Indiana University - MBA in Finance

*Recent Business Background:*

Swink, Smith, Coplen & Co, P.C., Owner, 1/2017 - Present

Blue Ocean Portfolios, LLC, Investment Adviser Representative, 01/2016 - Present

Smith Patrick LLC, CPA and Sole Owner, 07/2007 – 12/2016

Smith Patrick Advisors, LLC, Investment Advisor Representative, 11/2011 – 01/2016

Blue Ocean Portfolios, LLC, Investment Adviser Representative, 11/2010 – 10/2011

Edward W. Smith CPA, Account, 09/2004 – 06/2007

### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. There are no disciplinary issues or events to report on this supervised representative. No information is applicable to this Item.

### **Item 4- Other Business Activities**

The principal business of Mr. Smith encompasses significant duties other than providing investment advice. These duties are directly associated with him being an owner of Swink, Smith, Coplen & Co, P.C., a Certified Public Accounting firm. He devotes approximately 40 hours per week to Swink, Smith, Coplen & Co, P.C. related duties. Blue Ocean Portfolios, LLC is not affiliated in anyway with Swink, Smith, Coplen & Co, P.C.

From time to time clients of Blue Ocean Portfolios may be referred to Swink, Smith, Coplen & Co, P.C. for audit, tax or other related services. Clients are under no obligation to act upon this recommendation. Blue Ocean Portfolios receives no economic benefit from these referrals. Mr. Smith does receive compensation from Blue Ocean Portfolios, LLC for clients that he may bring in.

### **Item 5- Additional Compensation**

Mr. Smith does not receive any economic benefit for providing advisory services from anyone other than clients.

### **Item 6 - Supervision**

The Chief Compliance Officer of the firm is responsible for supervising the professional activities of Mr. Smith.

The current Chief Compliance Officer of Blue Ocean Portfolios is James A. Winkelmann.