



BLUE OCEAN ATS

Disclosure Statement

Dear Subscriber,

Blue Ocean ATS, LLC (“BOATS”) is the broker-dealer operator of the Blue Ocean Alternative Trading System (“ATS”) and is a wholly owned subsidiary of Blue Ocean Technologies, LLC (“BOT”). BOATS is registered with the Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). The ATS provides trading for its Subscribers in U.S. National Market System (“NMS”) stocks during the hours 8:00 p.m. ET through 4:00 a.m. ET (Sunday through Thursday). BOATS is required by its regulators to periodically provide you with certain disclosures and other information. In addition to this Disclosure Statement, we encourage you to review the Firms website regularly for announcements regarding our services, updated policies, and other news.

Privacy: BOATS recognizes the importance of protecting the privacy of our Subscribers and as such, we have policies in place to maintain the confidentiality and security of Subscriber information. It is BOATS’ general policy to restrict access to nonpublic Subscriber information to only those employees who have a need to know the information. BOATS may, in certain circumstances, share Subscriber information with BOT and vendors to better serve you.

Important Information for Opening an Account: To help the government fight the funding of terrorism and money laundering activities, Federal law and/or regulation require all financial institutions to obtain, verify and record information when a subscriber opens an account. When you open an account with BOATS, we will ask for principals’ names, addresses, and any other information. We may also request other identifying information and supporting documentation.

Complaints: In accordance with SEC Rule 17a-3(a)(18)(ii), please be advised that any complaints may be directed to the following:

Blue Ocean ATS, LLC
Compliance@blueoceanats.com
(203) 921-8554

Information Concerning FINRA BrokerCheck Investor Education and Protection: In connection with FINRA Rule 2267, FINRA requires that BOATS, as a member firm, notify our Subscribers about the availability of information through the FINRA BrokerCheck program. The FINRA BrokerCheck Hotline Number is (800) 289-9999. FINRA’s website address is www.finra.org. An investor brochure that includes information describing the Public Disclosure Program is available upon request from FINRA.

SIPC Disclosure: The Securities Information Protection Company (“SIPC”) is a non-profit, membership corporation funded by member broker-dealers. SIPC protects cash and securities held with BOATS as specified in the Securities Investor Protection Act (“SIPA”). BOATS is a member of the SIPC. Pursuant to FINRA Rule 2266, FINRA requires that BOATS, as a member, disclose to new Subscribers, and annually to all Subscribers, that they may obtain information about SIPC, including the SIPC brochure, by contacting



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SIPC at the following address:

Securities Investor Protection Corporation
1667 K Street N.W., Suite 1000
Washington, DC 20006-1620
Telephone: (202) 371-8300
Website: www.sipc.org

Financial Statements: Pursuant to FINRA Rule 2261, BOATS Financial Statements are available for your personal inspection by request. A copy will be mailed to you upon your written request. You may also call (203) 921-8554 to obtain a copy.

SEC Rule 605 Order Execution Quality Reporting: Exchange Act Rule 605 of Regulation NMS, “Disclosure of Order Execution Information,” requires “market centers” to prepare and make available to the public and to one of the registered exchanges or associations, monthly reports about the execution of customer orders. This Rule is intended, among other things, to assist consumers in evaluating the best venue for having their orders executed. As noted, the ATS operates between 8:00 p.m. and 4:00 a.m., (and not during regular market hours). Therefore, there is no National Best Bid Offer (“NBBO”), and the Firm is not subject to the requirements of Rule 605.

SEC Rule 607 Payment for Order Flow Practices: BOATS provides rebates to Subscribers that provide liquidity and BOATS provides disclosure of this practice in its Form ATS-N.

Risks of After-Hours Trading: Pursuant to FINRA Rule 2265, BOATS encourages our Subscribers and their customers to consider the below risks prior to Trading during Extended Hours Trading Sessions, meaning trading conducted outside of “regular trading hours”, including the BOATS Session which operates Sunday through Thursday 8:00 p.m. to 4:00 a.m. (subject to holiday trading hours). Subscribers’ customers should contact their Broker Dealer with further questions concerning extended hours trading.

Some risks associated with After-Hours Trading include:

- **Greater price volatility: Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.
- **Lower liquidity:** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular trading hours. As a result, your order may only be partially executed, or not at all.
- **Wider bid/ask spreads:** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.



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- **News announcements:** Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon opening the next morning. As a result, you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.
- **Markets aren't linked during extended hours.** During extended hours, the price available at one trading venue might be inferior to the price available for the same security at the same time on other extended-hours trading venues. During regular trading hours, brokerage firms are generally required by SEC rules to fill customer orders for listed stocks at the best price at the time—known as the National Best Bid and Offer (NBBO). However, the NBBO is only published during regular trading hours, so this requirement doesn't apply to extended-hours trading. As a result, you might receive an inferior price in one extended-hours trading system than you would in another system.
- **Extended-hours trading doesn't change exchanges' official closing prices or determine the next day's opening prices.** The share prices recorded at 4 p.m. on the exchanges on a given day are considered the official closing prices for that day, regardless of what happens during extended-hours trading. These official closing prices are what investment funds used to calculate the value of their holdings at the end of regular trading hours. The next day's opening prices are generated based on supply and demand for the securities at or around the time markets open. The pricing dynamics at market open might differ from the prior extended-hours trading session, which creates the risk that the price you receive during the extended-hours period might be worse than during the following day's regular trading hours.
- **Your brokerage firm may set specific parameters for extended-hours trading.** Rules among brokerage firms about when and how customers can participate in extended-hours trading may vary. For instance, a firm might impose set times for such trading, restrict activity to a specific trading venue, or allow investors to trade only certain products. They might only accept limit orders during extended-hours trading and may have different policies regarding whether unexecuted extended-hours trades are canceled or carried over to the start of regular trading hours. They also might not offer extended-hours trading at all.

Information Concerning BOATS' Business Continuity Plan: Pursuant to FINRA Rule 4370, BOATS maintains a business continuity plan that allows for effective operations under a variety of contingencies. The Business Continuity Plan (BCP) includes the ability to recover from situations including, but not limited to floods, power outages and any facility failures that may cause business interruptions.

Though BOATS does not maintain a redundant recovery site, the key features of the BOATS' BCP include annual review of the following: 1) identification of all mission critical systems (and system back-up and recovery for such systems), 2) review of financial and operation risks, 3) systems and telecommunication accessibility 4) alternate communications between BOATS, its Subscribers, employees and regulators and critical business constituents.



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Although no contingency plan can eliminate all risks of service interruption, BOATS assesses and updates its BCP to mitigate reasonable risks. While the specific details of our BCP are proprietary and contain information which is confidential, BOATS' policy is to respond to a significant business disruption by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering, and resuming operations, protecting the Firm's books and records, and allowing Subscribers to continue to transact business. As we continue to test our plans and as conditions in our firm and the industry change, we will revise the plan accordingly and as considered necessary.

Clearly Erroneous Transaction Policy: If BOATS determines that a transaction is a Clearly Erroneous Transaction, or a transaction is impacted by an ATS disruption, the Firm may i) cancel the transaction or ii) modify the terms of the transaction (provided that any such modification shall be subject to consent by the Subscribers party to the transaction).

A Clearly Erroneous Transaction is defined as:

- a) to have been executed at a price that is clearly inconsistent with the current or expected market for that security at the time of execution.
- b) to have been executed on any term (e.g., identification of the security, side, size).
- c) to have been rejected or incapable of normal settlement by the Firms clearing firm (e.g., for reasons, including but not limited to below minimum size, and/or that the instrument or the counterparty is subject to government sanctions).

An ATS Disruption is defined as:

- a) any disruption or technical failure of the ATS, which the Firm will determine in its sole discretion, which results in any part of the ATS not operating as intended.
- b) BOATS determines, in its sole discretion, an inaccurate or erroneous reference price
- c) the failure of any automated trading protocols

Price Band:

BOATS incorporates price controls designed to prevent the entry or maintenance of orders that are outside of the ATS's preset price bands. If BOATS determines that one of the following circumstances occurred which resulted in the trade being executed outside of Blue Ocean's price band at the time of execution, BOATS may determine the transaction was not clearly erroneous:

- a) the ATS's price band was either not available, failed to update, or was otherwise erroneously calculated.
- b) material news impacting the price band had not been released.

Corporate Actions:

BOATS may disable a security from being available, which is the subject of a corporate action (e.g., tender or exchange offer, stock split, dividend) until the action is complete or the details of the corporate action have been disseminated. If the security isn't disabled prior to the corporate action, the Firm may cancel the trade if:



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- a) such trade is a Clearly Erroneous Trade (as defined)
- b) the pending corporate action creates any risk of loss to the Firm
- c) a Subscriber is unable to settle a trade in a security that is subject to a corporate action in a timely manner

Request for Review:

A request to review any transaction may be initiated by a Subscriber within thirty (30) minutes of the execution in the ATS. The Firm reserves the right to initiate a review of a transaction prior to trade settlement, regardless of whether a party to the transaction has requested a review, if the Firm determines that circumstances warrant such a review.

In all circumstances, the transaction will remain an obligation of the Subscribers that are the parties to the transaction and subject to any agreements between BOATS and such Subscribers until BOATS notifies such Subscribers by e-mail that the transaction has been adjusted or canceled pursuant to this Policy.

Review Process:

To request a transaction review, a Subscriber that is a party to the applicable transaction must notify BOATS via email to support@blueoceanats.com within thirty (30) minutes of the execution. Review requests must include the following information:

- a) subscriber name.
- b) time(s) of the trade(s).
- c) security symbol(s).
- d) price(s).
- e) quantity.
- f) whether or not the Subscriber was on the buy side or sell side of the trade.
- g) the reason the review is being sought with factual basis that the execution is clearly erroneous or result of an ATS disruption
- h) requested resolution (break trade or adjust price)

In determining whether a transaction is either a clearly erroneous transaction or impacted by an ATS Disruption, the Firm will utilize any information, and consult with any relevant parties that it deems appropriate, including, but limited to:

- a) transactions on the ATS or publicly reported transactions which occurred prior to and following the alleged error transactions.
- b) outgoing calls to independent third-party Subscribers on the ATS to determine the expected level for the security traded at the time in question.
- c) BOATS in-house market knowledge and expertise.
- d) whether the Subscriber requesting the review is the liquidity provider or the liquidity taker.
- e) whether any material news had been disseminated and the timing of such news.
- f) the promptness of the transaction review request.

Any electronic or other communication involving the terms of a transaction will also be a significant consideration in determining whether such transaction is considered a clearly erroneous transaction or impacted by an ATS Disruption.



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Determinations:

Each transaction review request will be considered on a case-by-case basis by a designated principal of BOATS. If a party properly requests a transaction review or if the ATS initiates a trade review, the ATS will promptly notify the other party of the transaction.

BOATS will notify the parties involved of any final determination by electronic communication. All decisions by BOATS pursuant to this Policy are final and not subject to further review. The party requesting a transaction review may withdraw its request via email to support@blueoceanats.com at any time prior to the final determination.

Upon the communication of any final determination of a transaction review, each Subscriber shall promptly implement the determination. If the final determination is that a transaction(s) shall be canceled, BOATS and each affected Subscriber shall cancel all trades associated with the transaction. If the final determination by BOATS is that the transaction shall stand, the relevant Subscribers shall take such steps to settle such transaction.

In no event can resolution of trade errors or disputes occur under this Policy after the trade has settled.

Subscriber Responsibilities:

Subscribers are responsible for ensuring the accuracy and completeness of all information transmitted to the ATS.

- a) Subscribers should inspect each order prior to submitting it to the ATS.
- b) Subscribers should use available software warnings and protections.
- c) Subscribers should review trade details promptly after execution.

Any assertion that a Subscriber made a mistake in entering an order or that a Subscriber failed to pay attention or update a quote, may not be sufficient for BOATS to determine that a transaction is clearly erroneous.

No price adjustment or cancellation can be guaranteed, and a transaction will stand unless BOATS notifies the Subscribers by e-mail that the transaction has been adjusted or canceled.

Should you have any questions, please do not hesitate to contact the Compliance Department at (203) 921-8554.