

**Blue Ocean Capital Management, LLC**

2517 Highway 35, Village II  
Manasquan, NJ 08736

Phone: (732) 746-1622

Fax: (732) 722-7213

[www.blueoceancm.com](http://www.blueoceancm.com)

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**This brochure provides information about the qualifications and business practices of Blue Ocean Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (732) 746-1622 or [hall@blueoceancm.com](mailto:hall@blueoceancm.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.**

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

## **Material Changes**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new rule specifies mandatory sections and organization.

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To receive a copy of the brochure supplements (Form ADV Part 2B), please contact Blue Ocean by telephone at: (732) 746-1622 or by e-mail at: [hall@blueoceancm.com](mailto:hall@blueoceancm.com).

## 1. Advisory Business

Blue Ocean Capital Management, LLC (“Blue Ocean”) was founded on December 7, 2006. The Principal Owner is Steven Charles Hall.

Steve Hall is the co-founder and Managing Partner of Blue Ocean. He has managed Blue Ocean since its inception. Steve received his B.S. Business Administration with a concentration in Finance and Economics from the University of Florida.

Blue Ocean provides investment supervisory services through separately managed accounts. Blue Ocean is also the General Partner of the Dynamic Long/Short Fund LP (“DL/SF”). The DL/SF is a private investment fund that is offered to high net-worth, financially sophisticated individual and institutional investors.

Investment supervisory services are tailored to the individual needs of clients. Clients may impose restrictions on investing in certain securities or types of securities.

Blue Ocean does not participate in wrap fee programs.

As of January 1, 2012, Blue Ocean manages \$6.7 million in client assets, all of which is managed on a discretionary basis.

## 2. Fees and Compensation

Blue Ocean receives compensation for investment advisory services as a percentage of assets under management (i.e. asset-based fees) and as a percentage of capital gains (i.e. performance-based fees).

The following is the fee schedule for investors:

| <b>Asset-Based Fee</b> | <b>Performance-Based Fee</b> | <b>Client Type</b>            |
|------------------------|------------------------------|-------------------------------|
| 2%                     | 0%                           | Advisory Clients              |
| 0%                     | 33%                          | DLSF Class A Limited Partners |
| 2%                     | 20%                          | DLSF Class B Limited Partners |

Clients are billed on a quarterly basis for fees incurred. Blue Ocean does not deduct fees from clients’ assets.

Clients are not required to pay fees in advance.

Neither Blue Ocean nor supervised persons accepts compensation for the sale of securities or other investment products.

All brokerage commissions, stock transfer fees, and other similar charges incurred in connection with transactions for the account are in addition to the investment management fees paid to Blue Ocean.

### Other Fees

The DL/SF Partnership bears all costs of organization and operation, including costs of its investment program (such as brokerage, banking and custody charges, interest, taxes, telecommunications and postage), professional fees of its auditors and attorneys and attorneys for the General Partner. The Partnership also pays the fees and expenses charged by the Administrator for its accounting, bookkeeping and administrative services. The amount and nature of these fees is based on the service provider's fee schedule(s) at the provider's sole discretion. These fees are separate and distinct from any fees charged by the Adviser.

The Adviser may include ETFs and other managed products or partnerships in clients' portfolios. Clients may be charged for the services by the providers/managers of these products in addition to the management fee paid to the Adviser. The Adviser, from time to time, may select or recommend the Funds purchase of proprietary investment products. These fees will generally include a management fee and other administrative fees. The fees and expenses charged by the product providers are separate and distinct from the management fee charged by the Adviser. Accordingly, the client should review both the fees charged by the funds and the applicable program fee charged by the Advisor to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

If it is determined that a client portfolio shall contain corporate debt or other types of over the counter securities, the client may pay a mark-up or mark-down or a "spread" to the broker or dealer on the other side of the transaction that is built into the purchase price of the security.

### **3. Performance-Based Fees and Side-By-Side Management**

Blue Ocean accepts performance-based fees (i.e. fees based on a share of capital gains or on capital appreciation of the assets of a client). Blue Ocean does manage both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee.

Managing both types of accounts creates a conflict of interest, as supervised persons have an incentive to favor accounts for which Blue Ocean receives a performance-based fee. However, Blue Ocean addresses these conflicts by allocating securities evenly across accounts. Furthermore, accounts are managed according to risk-tolerance and client preference rather than fee structure.

#### **Dynamic Long/Short Fund LP ("DL/SF")**

- Class A Limited Partners - 33%
- Class B Limited Partners - 20%

- Allocations for Class A and B are made at the end of each Fiscal Year (and on withdrawal of funds by or distribution of funds to a Limited Partner during a Fiscal Year).
- The allocation percentages are of the amount by which the Profits (including realized and unrealized gains and losses) of DL/SF otherwise allocable to that Limited Partner in the applicable measurement period exceed that Limited Partner's unrecouped losses.
- "Unrecouped Losses" of a Limited Partner are all losses allocated to that Limited Partner in a Fiscal Year reduced (but not below zero) by all Profits subsequently allocated to that Limited Partner in that fiscal Year or in any subsequent Fiscal Year. ("high water mark")

#### **4. Types of Clients**

Blue Ocean generally provides investment advisory services to individuals, trusts, investment companies, and hedge funds. Blue Ocean does not have any requirements, such as minimum account value, for opening or maintaining an account.

#### **5. Methods of Analysis, Investment Strategies, and Risk of Loss**

Blue Ocean generally invests in exchange-listed equities, options contracts and mutual fund shares. Blue Ocean specializes in investing in closed-end funds and exchange traded funds. In general, it is important to recognize that investing in securities involves risk of loss that clients should be prepared to bear.

Blue Ocean uses technical and fundamental analysis in evaluating securities to invest in. Blue Ocean implements strategies that involve long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing. Each of these strategies involves different levels of risk. Blue Ocean may implement a strategy involving frequent trading in client accounts. Clients should be aware that frequent trading in client accounts can increase transaction costs and taxes.

As with all exchange-listed equities, there is an inherent risk of capital loss associated with all closed-end funds. Additional risks in closed-end funds include, but are not limited to: interest rate risk, leverage risk that increases the volatility of funds, and valuation risk associated with the funds' net asset values (NAVs).

#### **6. Disciplinary Information**

Blue Ocean has not been the subject of legal or disciplinary actions.

#### **7. Other Financial Industry Activities and Affiliations**

Steve Hall, who is the principal of Blue Ocean, is also the principal of Rhino Asset Management, LLC, an investment advisor registered with the State of New Jersey.

## **8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Blue Ocean or its supervised persons may trade for their own account in securities that are recommended to Blue Ocean's clients. Blue Ocean, supervised persons of Blue Ocean, and relatives of the Blue Ocean are treated in a like manner as other clients through the use of an objective, non-discretionary allocation system. Blue Ocean maintains a file, updated quarterly, of all securities transactions involving all supervised persons. This file is reviewed by the compliance officer. If the possibility of a conflict of interest occurs, the clients' interest will prevail.

To avoid any potential conflicts of interest involving personal trades, Blue Ocean has adopted a Code of Ethics and Securities Compliance Policy, which include formal insider trading policies and procedures. Blue Ocean's Securities Compliance Policy requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Advisor above one's own personal interests;
- Adhere to the fundamental standard that one should not take inappropriate advantage of one's position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to act in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of and uphold the rules governing capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

Blue Ocean's Securities Compliance Policy also requires Employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide Blue Ocean with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of the Blue Ocean's Code of Ethics and Securities Compliance Policy shall be provided to any client or prospective client upon request.

## **9. Brokerage Practices**

When a Client has given Blue Ocean broker discretion, there is no restriction on the brokers that Blue Ocean may select to execute client transactions. In selecting brokers for transactions for clients, Blue Ocean selects brokers first on their capability to obtain the best combination of price and execution. Other factors that are considered when selecting brokers include: promptness in reporting completed trades; other transactions costs; efficiency of “batch trading” capability; quality of web site provided to Blue Ocean for trading; quality of web site provided to the client for monitoring; timeliness and accuracy of information provided to Blue Ocean and client for tax preparation; margin interest loan rate; variety of account types and retirement plans offered; and quality of customer support.

Blue Ocean does not have any soft dollar arrangements and is not compensated by any brokerage for client referrals.

## **10. Review of Accounts**

Client accounts are reviewed by Blue Ocean’s supervised persons on, at least, a weekly basis.

Blue Ocean will review client accounts at the clients’ request.

Clients can access monthly statements from the brokerage website.

## **11. Client Referrals and Other Compensation**

Blue Ocean does not receive economic benefits for investment advice or advisory services from persons that are not clients.

Blue Ocean has an agreement to compensate HedgeCo Securities in the event HedgeCo Securities refers clients to Blue Ocean. Blue Ocean will compensate HedgeCo Securities with 20% of fees generated from services provided to these referred clients.

## **12. Custody**

The amended and revised Rule 206(4)-2 of the Advisers Act sets forth extensive requirements regarding possession or custody of client funds or securities. The Rule requires advisers that have custody of client securities or funds to implement a set of controls designed to protect those client assets from being lost, misused misappropriated or subject to financial reverses.



Advisers with custody of client funds and securities must maintain them with “Qualified Custodians.” “Qualified Custodians” under the amended rule include banks and savings associations and registered broker-dealers.

Blue Ocean does not maintain direct custody or possession of any of its client’s funds or securities. Blue Ocean currently uses Concept Capital Market LLC (“Concept”) as a prime broker for the DL/SF. Concept clears through J.P. Morgan (“JPM”) and Merrill Lynch & Co. (“Merrill”), which acts as the custodian. Through this arrangement with Concept, Merrill will provide among other things, clearing, custodial and record keeping services. Blue Ocean also used TD Ameritrade (“TDA”) as a prime broker for the DL/SF. TDA will provide among other things, clearing, custodial and record keeping services.

The rule requires that advisers with custody of clients’ funds or securities have a reasonable belief that a Qualified Custodian holding the assets provides periodic account statements to those clients.

However, advisers need not comply with these quarterly reporting requirements of the rule for pooled investment vehicles, such as limited partnerships or limited liability companies, if the pooled investment vehicle (i) is audited at least annually, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of the fiscal year of the pooled investment vehicle.

Annually, upon completion of the Funds’ annual audit, Blue Ocean will distribute the audited financials along with copies of its Privacy Notice and ADV Part 2.

CCO shall use best efforts to ensure that Blue Ocean’s audited financials are delivered to all limited partners (or members or other beneficial owners) within 120 days of the fiscal year end.

### **13. Investment Discretion**

Blue Ocean accepts discretionary authority to manage securities accounts on behalf of clients. When a client agrees to discretionary management, Blue Ocean will be responsible for selecting the amount of securities to be bought and sold. The only limitations on the investment authority will be those limitations imposed in writing by the client. Clients may place any limitation on Blue Ocean’s discretionary authority. Clients may decide frequency of trading, type of security, holding period, etc. Clients must submit all contracts, execution of power of attorney, and receive all Blue Ocean’s required documents before discretionary authority is assumed.

### **14. Voting Client Securities**

Blue has written proxy voting policies and procedures as required by Rule 206(4)-6 under the Investment Advisers Act of 1940

The client retains the sole right and obligation to vote any proxies solicited by or with respect to securities held in their account, including any shares of mutual funds. Blue Ocean shall have no right or obligation to take any action or render any advice relating to the voting of such proxies.

Blue Ocean's complete proxy voting policy and procedures are memorialized in writing and are available for the clients' review. Clients may contact Blue Ocean with any questions regarding the Proxy Policy and Procedures.

## **15. Financial Information**

Blue Ocean does not require or solicit prepayment of fees.

Blue Ocean has discretionary authority over client accounts. There are no foreseeable financial conditions that will likely impair Blue Ocean's ability to meet contractual commitments to clients.

Blue Ocean has not been the subject of a bankruptcy petition at any time during the past ten years.