



BlueArc Capital Management, LLC
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Form ADV Part 2A
[Disclosure Brochure](#)

August 18, 2014

This brochure provides information about the qualifications and business practices of BlueArc Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 404-419-6130 and/or info@bluearccapital.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 BlueArc Capital Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for BlueArc Capital Management, LLC is 167233.

BlueArc Capital Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes. As this is our first disclosure brochure, we have no material changes to report.

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Advisory Business

BlueArc Capital Management, LLC ("BlueArc") is registered with the Securities and Exchange Commission ("SEC") as an investment advisor pursuant to the Investment Advisors Act of 1940, as amended. The principal owner of the firm is Ronald Zazworsky, Jr. BlueArc commenced operations in August 2005 and focuses primarily on providing alternative investment funds to family office and qualified purchaser investors. With a primary focus on private equity and hedge fund investment strategies, BlueArc offers an array of funds and special purpose investment vehicles for its base of investors. Each fund and special purpose vehicle includes investment guidelines and parameters as well as specific reporting requirements and accounting guidelines. These funds and investments are managed to the specific objectives of the fund or investment vehicle, and are not tailored to the individual needs of the underlying investors.

In specific situations, BlueArc also provides investment advisory services regarding alternative asset manager selection. The recommendations made are based upon the client's specific financial situation and objectives. Clients may impose any reasonable restrictions on the selection of these investments.

As of August 1, 2014, BlueArc has the following regulatory assets under management:

| | |
|--|----------------------|
| Discretionary | \$288,780,000 |
| Non-discretionary | \$121,000,000 |
| Total Regulatory Assets Under Management | <u>\$409,780,000</u> |

Fees & Compensation

Regarding its various funds or special purpose vehicles that invest in private equity and hedge fund strategies, BlueArc typically charges annual asset management fees and incentive performance fees. These fees are negotiable and are deducted in advance from investor principal balances in the fund on a monthly basis by the fund administrator. In some cases, origination fees may be charged. Asset management fees are earned on either the capital committed or the outstanding principal balance. Performance fees are earned as a percentage of income earned, or as a percentage of income earned over a specified target return hurdle, on an annual basis. Other types of fees that might be applicable to a particular advisory account are negotiated with the client depending on the scope of services required.

With respect to its funds and special purpose vehicles, the fund or special purpose vehicle is typically responsible for any reasonable, out-of-pocket fees costs and expenses incurred by BlueArc related to the management and administration of the funds, such as legal fees, third-party service providers, accounting and audit fees, due diligence fees, and other fees or expenses that BlueArc reasonably incurs in its fund management services.

Performance-Based Fees and Side by Side Management

When applicable, performance based fees are negotiated on a fund by fund basis. Performance fees will typically be earned as a percentage of income earned, or as a percentage of income earned over a specified target return hurdle. Performance fees, if earned, are paid annually in arrears.

BlueArc does not currently manage any other accounts in the same manner or with the same investment objectives as the private equity and hedge funds we advise. Accordingly, there is no side by side management.

Types of Clients

BlueArc's clients include hedge funds, special purpose vehicles for private equity investments, and special account vehicles. On a separate basis BlueArc may advise single-family offices, multi-family offices, registered investment advisers, trust companies, and high net worth individuals. BlueArc's funds have a minimum allocation requirement of \$250,000 (allocations of less than \$250,000 may be accepted at BlueArc's sole discretion).

Methods of Analysis, Investment Strategies, and Risk of Loss

BlueArc provides fund management and investment advisory services with respect to private equity and hedge fund investments for single-family offices, multi-family offices, institutions, and high net-worth individuals. Depending on the clients' investment strategy and risk tolerance level, BlueArc may invest in one or more of these types of private equity or hedge fund related instruments on behalf of any one of its clients.

In order to evaluate private equity investment opportunities, BlueArc assesses a series of factors that relate to the current condition and the forecasted performance of the opportunity. These factors include (but are not limited to) due diligence points such as growth and competition within the applicable industry, management team performance and experience, customer base(s), customer demand, product and service offerings, supply chain vendors and characteristics, human resource trends and data, operational performance, legal and insurance risks, competitive advantages, business risk factors, applicable regulatory requirements, capital structure factors, financial performance, and other relevant data that would provide insight into the near-term and long-term viability of the opportunity. Investing in private equity involves varying levels of risk that clients should be willing to bear in the event of loss. Those risks include (but are not limited to) management team risk, customer and product/service demand risk, financing risk, general economic risks, operational risk, supply chain risk, legal and regulatory risks, and other risks that may generally affect the values of privately-held investments.

With respect to investments in hedge fund strategies (whether advised by BlueArc or subadvised by third-party), BlueArc assesses a series of due diligence points that relate to the performance of the specific strategy. Those due diligence points include (but are not limited to) items such as general investment philosophies, nature of the securities that are targeted for investment, diversification of the securities portfolios, leverage amounts of the portfolios, risk exposure levels of the portfolios, analysis of various risk metrics, investment team performance and experience, tenure of the investment team, operational and back-office infrastructure, performance track record and analysis, investment research process, third-party vendors, financial controls, counter-party risks, and other pertinent aspects of the investment strategy and operations. Investing in hedge fund strategies involves varying levels of risk that clients should be willing to bear in the event of loss. Those risks include (but are not limited to) portfolio team risk, market risk, portfolio selection risk, financing and portfolio leverage risk, operational risk, domestic and global economic risks, credit market risks, real estate risks, legal and regulatory risks, and other risks that may generally affect values of publicly-held securities.

Investing in private equity opportunities or hedge funds involves risk of loss that the investor should be prepared to bear. These losses may include the loss of principal; a reduction in earnings (including interest, dividends and other distributions); and the loss of future earnings. A more detailed description of the risks outlined above can be found in the offering memorandum or other subscription documents specific to each fund or private equity investment opportunity.

Disciplinary Information

Neither BlueArc nor any BlueArc management person has been involved in any legal or disciplinary action that would affect one of BlueArc's client's or prospective client's evaluation of its advisory business or the integrity of its management.

Other Financial Industry Activities and Affiliations

In addition to his position as a Founder and Chief Executive Officer of BlueArc Capital Management, LLC, Ronald Zazworsky, Jr. is the managing member of:

- BAC-MP Fund Management, LLC (manager of BAC-MP Absolute Return Fund, LLC and BlueArc Absolute Return Fund (TE), Ltd.)
- BlueArc Credit Opportunities Fund Management, LLC (manager of BlueArc Credit Opportunities Fund, LLC and BlueArc Credit Opportunities Fund (TE), Ltd.)
- BlueArc Global Macro Fund Management, LLC (manager of BlueArc Global Macro Fund, LLC and BlueArc Global Macro Fund (TE), Ltd.)
- BlueArc Multi-Strategy Fund Management, LLC (manager of BlueArc Multi-Strategy Fund, LLC)

BlueArc is the principal owner of the above-listed management companies and the investment manager for the above-listed private investment funds (together, the "affiliated funds"). BlueArc, on a non-discretionary basis, may recommend that certain advisory clients meeting applicable requirements consider allocating a portion of their investment assets to the affiliated funds. Our clients are under absolutely no obligation to either consider or make an investment in any of the affiliated funds.

BlueArc Capital Management has an ongoing business relationship with Keel Point Advisors, LLC ("Keel Point"), a multi-family office. Keel Point has an ownership stake in some of BlueArc's fund management companies; Keel Point's clients may also invest in BlueArc funds. Accordingly, Keel Point receives a portion of the management fees earned by the management companies. More detailed information regarding these relationships can be found in the offering memorandum or other subscription documents specific to each fund.

In each of the relationships noted the above, a BlueArc affiliate management company receives compensation in addition to the advisory fees we receive. A conflict of interest exists where there is a financial incentive for us to recommend that clients invest in these funds over funds similar to these because of the additional compensation we or our affiliates receive, when in fact other funds for which we do not receive compensation may be more appropriate or less costly.

In addition to the relationships with BlueArc described above, Keel Point may co-venture with other independent investment managers and invest client funds in private funds offered by these managers. Keel Point earns significant revenue from those investments in various arrangements that are described in Keel Point's disclosure brochure. We may invest or recommend that our clients also invest in these funds. Because of the close relationship between us and Keel Point and the referrals we may receive from them, a conflict of interest exists, as we have the incentive to purchase these products where other products from other investment advisers may be more appropriate and less costly.

We address conflicts of interest in a number of ways. Initially, we strive to disclose any conflict of interest that we believe may be material to an investor's decision-making process. Investors are given the opportunity to review and consent to this information prior to making an investment decision. Additionally, we have a process in place designed so that our investment decisions, capital allocations,

and recommendations for capital allocations have been made only after we have performed what we believe to be thorough due diligence. During this process we take into account all factors we believe to be relevant for an investment decision, including the nature of the conflicts, the process to mitigate those conflicts, and the appropriateness of the investment. Our team also performs ongoing due diligence on all funds to determine whether our clients should continue holding an investment. Furthermore, we require our advisory affiliates to adhere to our Code of Ethics, conduct periodic reviews of personal and client accounts, conduct annual reviews of our overall compliance program, and have our Chief Compliance Officer review conflict situations.

Code of Ethics, Interest in Client Transactions, and Personal Trading

Code of Ethics

BlueArc's Code of Ethics is based on the principle that BlueArc's employees owe a fiduciary duty to its clients and must avoid activities, interests and relationships that might interfere or appear to interfere with making investment decisions in the best interests of any client. Among other things, the Code requires compliance with BlueArc's personal securities transactions procedures including pre-clearance of certain securities transactions, compliance with federal securities laws, and the reporting of personal securities transactions by all employees of the firm. In addition, all employees must comply with the conflict of interest policies which include ethical restraints relating to clients, such as restrictions on accepting gifts from clients and restrictions on political contributions. On at least an annual basis, all employees are required to provide written acknowledgement of their receipt and understanding of the code of ethics and any amendments thereof. Any violations of BlueArc's Code of Ethics are required to be reported promptly to BlueArc's Chief Compliance Officer. A copy of the firm's Code of Ethics is available to any client or prospective client upon request.

Interest in Client Transactions

We may advise clients on the purchase of our affiliated funds. A conflict of interest exists to the extent the total compensation to BlueArc is increased. There is also a conflict that greater asset levels are likely to attract more investment dollars. Clients who purchase our funds pay only the fees and expenses associated with the fund, not for the advice to purchase the fund. A description of the risk factors and fees (management fees and incentive compensation), is set forth in each of the affiliated funds respective offering documents. Our clients are informed of our relationship to the funds we manage, and clients are not required to purchase funds managed by us.

Personal Trading

Our employees are permitted to engage in personal securities transactions. These transactions raise potential conflicts of interest if they were to trade in a security that is owned by a client or considered for purchase or sale to a client. We have adopted policies and procedures that are intended to address these conflicts of interest. Employees may buy or sell securities only if their personal transactions conform to our written policies.

Brokerage Practices

We do not select or recommend broker-dealers for your securities transactions in relation to the management of your account. Brokers are selected and trades are effected by the underlying fund managers.

Research and Other Soft Dollar Benefits

Our affiliated funds and their underlying funds may enter into so-called “soft dollar” arrangements, under which securities firms would provide or pay the costs of certain services, equipment or other items for the benefit of the fund, the manager, investment manager, the underlying funds’ managers or one or more of their affiliates, in consideration of the allocation to the firm of portfolio transactions (with resulting commission income or profit) or commissions made on behalf of or with the fund or their underlying funds. The services, equipment and other items provided or for which payment is otherwise made using such soft dollar and brokerage service arrangements on behalf of the manager, investment manager, the underlying funds’ managers or one or more of their affiliates, may include, without limitation: prime brokerage services; written and oral information and analyses concerning specific securities, companies or sectors; market, financial, statistical and economic studies and forecasts; proxy voting services; independent pricing services; computer hardware, software and services and other office equipment and services used in the management of the fund and other client portfolios or for fund or other client portfolio analysis, record keeping or reporting; investment research consulting fees and charges; fees and charges for news wire, data processing, internet service provider, data access line and other communications services; investment manager, fund and manager attorneys’, accountants’, bookkeepers’ and administrators’ fees and expenses; client and investor referrals; offering expenses (including without limitation fees and expenses of attorneys and accountants, filing fees, printing and mailing costs); the fund’s proportionate share of conference and travel expenses related to fund and other client investment research; quotation services; periodical subscription fees; custody, record keeping and similar charges. Any such soft dollar payments would not reduce the amount of the management fees payable to the manager and its designees. Any of these soft dollar arrangements could benefit the fund by reducing expenses or benefit the manager, investment manager, the underlying funds’ managers or one or more of their affiliates without any direct benefit to the fund. The soft dollar arrangements may also provide an incentive to trade more actively to generate balances available to pay eligible expenses.

Block Trades

We do not execute transactions on clients’ behalf and, therefore, have no control over whether the underlying trades are aggregated or not aggregated. The underlying fund’s offering memorandum and firm brochure of the fund’s investment adviser contains specific information on whether they aggregate the purchase or sale of securities for client accounts.

Review of Accounts

BlueArc’s Managing Directors monitor fund portfolio holdings on a regular ongoing basis. Fund investors receive monthly and/or quarterly unaudited financial reports as well as statements from the fund administrator where applicable. Annually, fund of fund investors will receive audited financial statements within 180 days of the end of the year. In addition to the financial statements, clients and fund investors may also receive results of operation, transaction history, performance, and other matters on a monthly or quarterly basis.

Client Referrals and Other Compensation

BlueArc does not have any formal arrangements (oral or in writing) where it directly or indirectly compensates a person for client referrals. We do, however, receive an economic benefit from our relationship with Keel Point, as described under **Other Financial Industry Activities and Affiliations**.

Custody

JP Morgan Chase is the qualified custodian of our clients' investment assets. BlueArc is deemed to have custody of clients' funds and securities because our affiliates serve as the manager of the funds we advise. Audited financial statements are prepared in accordance with generally accepted accounting principles and are delivered annually to all members of our funds within 180 days of our funds' fiscal year end. Therefore, underlying investors in the funds are not required to receive quarterly custodial statements.

JP Morgan provides the independent administrator of each client with regular reports on the assets held in the hedge fund and the advisory fee we have charged. Each administrator is responsible for confirming the value of client account assets and verifying the accuracy of our advisory fee. Administrators provide hedge fund investors with regular reports regarding their respective investments

Investment Discretion

BlueArc offers advisory services on both a discretionary and a non-discretionary basis. When we service a client's account on a discretionary basis, we do not need advance approval from the client to determine the timing, type, and amount of securities to be bought and sold for the account. BlueArc has discretion over Fund assets. A client's account serviced on a non-discretionary basis requires approval prior to the purchase or sale of any investments. BlueArc does not have discretion over advisory services provided to clients outside of the Funds it advises.

We may only exercise discretion if our client has provided that authority to us in writing. Upon engaging BlueArc to manage a specific investment, a comprehensive investment management agreement is executed which includes a comprehensive detail of both the account investment objectives and guidelines and the powers of authority delegated to BlueArc by the client. If BlueArc were to recommend an investment outside of the pre-established guidelines included within the investment management agreement, a new agreement is sought from the applicable client(s).

Voting Client Securities

Because of the nature of the securities BlueArc Capital Management, LLC purchases for the accounts of our clients, we generally do not receive proxies on their behalf. To the extent that BlueArc has accepted proxy voting authority on behalf of a fund or pursuant to an investment management agreement, proxies will be voted consistent with our proxy voting policies and procedures. These policies and procedures are reasonably designed to prevent conflicts of interest from influencing voting decisions and to ensure that proxies are voted in the best interest of clients. If a material conflict of interest between BlueArc and a fund or client exists, BlueArc will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interest of the client or take some other appropriate action.

BlueArc's proxy voting policies and procedures, including information for you on how your securities were voted, are available upon request by contacting Cynthia Custer at ccuster@bluearccapital.com or at the address on the cover page of this brochure.

Financial Information

BlueArc does not require or solicit prepayment from its clients. BlueArc is not aware of any financial condition likely to impair its ability to meet contractual commitments to clients. BlueArc is not and has not been subject to a bankruptcy petition at any time.