



## Form ADV Part 2A

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**This brochure provides information about the qualifications and business practices of Blue Shores Capital Management LLC (“Blue Shores”). If you have any questions about the contents of this brochure, please contact Blue Shores at the address listed above, call us at (800) 346-4570, or send us an email at [operations@blueshorescapital.com](mailto:operations@blueshorescapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Blue Shores, an SEC-registered investment adviser, also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply a certain level of skill or training.**

## **Summary of Material Changes**

This is a new brochure and there are no material changes to report. If you would like another copy of this Brochure, please download it from the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). or contact Blue Shores at 800-346-4570 or [operations@blueshores.com](mailto:operations@blueshores.com).

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## **4. ADVISORY BUSINESS**

### **Principal Owners**

Blue Shores Capital Management LLC (“Blue Shores” or “Investment Manager”), was established as a proprietary investment management division of Independent Portfolio Consultants Inc. (“IPC”), an SEC-registered investment adviser, in 2007. Blue Shores became a separate legal entity in 2014. Blue Shores is wholly-owned by IPC, which is owned by directors Alan D. Bush, Frederick S. Joyce, Jr. and David R. Koburger. Blue Shore’s corporate headquarters are located in Boca Raton, Florida.

### **Types of Advisory Services**

Blue Shores provides investment advisory services to privately-offered funds using a global investment approach in a master-feeder fund structure. Blue Shores currently manages Fund assets in a Global Long/Short Equity strategy, which consists of a diversified group of strategic individual equity holdings in addition to various tactical positions.

### **client Investment Objectives and Restrictions**

Blue Shores does not tailor its investment advice to an investor’s needs or objectives. Blue Shores has discretion over a Fund’s assets, which is limited by any restrictions in the Fund’s offering documents.

### **Assets Under Management**

As of January 6, 2016 Blue Shores had \$0 in discretionary assets.

## **5. FEES AND COMPENSATION**

### **Advisory Fees**

The Funds charge management fees, which generally are 1%, and performance (incentive) fees, which generally are 15%. Please refer to a Fund’s offering documents for more information about fees.

### **Deduction of Fees**

Fund fees are deducted from investors’ accounts. Please refer to a Fund’s offering documents for more information about fees.

## **Other Non-Advisory Fees and Expenses**

The Funds bear their own expenses, which will reduce returns. Please refer to a Fund's offering documents for more information on Fund expenses.

## **Compensation for the Sale of Securities**

No Blue Shores personnel are compensated for the purchase or sale of securities to or from the Funds.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Blue Shores charges performance-based fees, which are fees based upon a share of the capital gains on, or capital appreciation of, the assets in an investor's account. Currently, the only accounts that Blue Shores manages all charge performance fees.

## **7. TYPES OF CLIENTS**

Blue Shores provides advisory services to privately-offered funds.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The Global Long/Short Equity strategy seeks to invest most of a Fund's assets in a diversified group of long and short strategic individual holdings, as well as various tactical positions. Long and short tactical positions take into account ever-changing global business and market conditions and may be implemented via the use of traditional and alternative ETFs/ETNs in addition to individual security selection. Such securities primarily include long and short positions in various countries' equity markets, although currency and commodity positions may also be utilized. Generally, when the Investment Manager has a neutral outlook on the global equity market from a risk versus return perspective, a Fund will have an approximate 60% net long exposure to the global equity market. Net exposure may be adjusted between 20%-80% as market conditions evolve with the goal of participating in up markets, while avoiding substantial losses in large corrections and bear markets. The Investment Manager has full discretionary authority to adjust these exposure and risk tolerance parameters without notice to investors.

## **Risk Information**

Risk is the chance that an investment's or investment strategy's actual return will be different

than expected. Risk includes the possibility of losing some or all of the original investment. A fundamental idea in finance is the relationship between risk and return. The greater the amount of risk that an investor is willing to take on, the greater the potential return. The reason for this is that investors need to be compensated for taking on additional risk.

**Market risk** is defined as the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes (e.g., equity prices). The price of a stock, bond or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

There can be no assurance that any investment, investment strategy or the investment asset allocation selected will be profitable or successful in achieving its investment objectives. Investors should understand the primary risk of investing in securities involves a loss of capital and should be prepared to bear such a loss. Investment in securities comes with inherent risks in exchange for a return on that investment. In general, an investor may lose all or a portion of their principal and experience volatility in the value of that principal over time for various reasons as outlined below. This list is representative of many risks and is not necessarily a complete indication of all the risks an investor may assume. Please refer to a Fund's offering documents for a complete description of the Fund's risks.

***Investment and Trading Risks.*** An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Fund's investment program will be successful. The Investment Manager will be investing substantially all of the Fund's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Fund expects to invest have in recent years experienced and continue to experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Fund.

***Equity Securities Generally.*** A Fund generally will invest in equity and equity-related securities in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. The Fund may also be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities and delivering marketable common stock upon conversions of convertible securities.

***Undervalued Equity Securities.*** A component of a Fund's investment strategy focuses on investing in companies that the Investment Manager believes are undervalued and overvalued based on numerous factors. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investing long in undervalued securities and investing short in overvalued securities present opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Furthermore, investing in these securities carries additional risk as other managers with similar

positions could be forced to unwind and drive security pricing in a manner adverse to the Fund.

***Use of Leverage.*** The Investment Manager may leverage a Fund's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Shareholders if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Shareholders if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Fund leverages its portfolio, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Fund utilizes leverage, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and therefore affect the operating results of the Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Fund's portfolio.

The Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call" pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

***Equity Securities of Growth Companies.*** A portion of a Fund's assets may be invested in equity securities of companies that the Investment Manager believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which the Fund will invest may range from small to large capitalizations. Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations. Securities of growth companies may be traded in the OTC markets. While OTC markets have grown rapidly in recent years, many OTC securities trade less frequently and in smaller volume than exchange-listed securities. The values of these securities may fluctuate more sharply than exchange-listed securities, and the Fund may experience some difficulty in acquiring or disposing of positions in these securities at prevailing market prices.

***Concentration of Investments.*** A Fund will follow a generalist strategy and does not intend to concentrate investments in particular industries or companies, but the fact that the Fund anticipates holding a total of approximately 40 to 70 securities may result in a concentrated portfolio. Such concentration in the portfolio will make the Fund's overall performance sensitive to a few positions. Losses incurred in a position making up a significant percentage of the Fund's capital could have a material adverse effect on the Fund's overall financial condition. This limited diversity could expose the Fund to significantly greater volatility than in a more diversified portfolio.

***Short Sales.*** The Investment Manager may engage in short sales as part of hedging transactions

or when it believes securities are overvalued. Short sales are sales of securities a Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. The Fund’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Fund’s ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Fund is subject to strict delivery requirements. The inability of the Fund to deliver securities within the required time frame may subject the Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Fund to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Fund’s ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Fund.

**Hedging.** A Fund may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, the Investment Manager’s ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund’s hedging strategies may also be subject to the Investment Manager’s ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that

such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Fund's portfolio is not expected to be completely hedged at all times and at various times the Investment Manager may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Fund's assets may not be adequately protected from market volatility and other conditions.

***Small and Mid-Cap Issuers.*** A portion of a Fund's assets is anticipated to be invested in securities of small and mid-cap issuers. While, in the Investment Manager's opinion, the securities of small and mid-cap issuers may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, small and mid-cap issuers often have limited operating histories, product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and, thus, may create a greater chance of loss than investments in securities of larger-cap issuers. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large-cap issuers.

***Foreign Securities.*** A Fund may also invest in securities of non-U.S. issuers, including companies headquartered outside the United States. The Fund's investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and thereby will have an impact upon the Fund's total return on such assets. The Fund may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Fund assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and



settlement procedures in foreign markets may occasionally lead to delays in settlements of the Fund's trades affected in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. The Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by the government of an emerging country.

Taxation of dividends, interest and capital gains received by non-residents varies among foreign countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that the Fund could in the future become subject to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets.

***Exchange Traded Funds.*** A Fund may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Fund's exposure to the general market or industry sectors and to manage the Fund's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

***General Economic and Market Conditions.*** The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Fund will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Manager's strategies.

***Counterparty Risk.*** Some of the markets in which a Fund may effect transactions are "over-the-

counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Fund is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Fund to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

***Transaction Execution and Costs.*** As the Investment Manager expects to actively manage a Fund’s portfolio, purchases and sales of investments may be frequent and may result in higher transaction costs to the Fund. There is no limit on the Fund’s portfolio turnover and the expenses of the Fund may exceed those of other investment entities of comparable size. In addition, in many cases relatively narrow spreads may exist between the prices at which the Fund will purchase and sell particular positions. The successful application of the Fund’s investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although the Fund will seek to utilize brokerage firms that will afford superior execution capability to the Fund, there is no assurance that all of the Fund’s transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of the Fund, may therefore be expected to be a factor in determining future profitability of the Fund.

***Broker Risk.*** A Fund’s assets may be held in one or more accounts maintained for the Fund (or the Master Fund) by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Fund’s assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Fund’s assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Fund’s assets or in a significant delay in the Fund having access to those assets.

***American Depository Securities & Receipts.*** In certain instances, rather than directly holding securities of non-U.S. companies, a Fund may hold these securities through an American

Depository Receipt (an “ADR”). An ADR is issued by a U.S. bank or trust company to evidence its ownership of securities of a non-U.S. company. The currency of an ADR may be U.S. dollars rather than the currency of the non-U.S. company to which it relates. The value of an ADR will not be equal to the value of the underlying non-U.S. securities to which the ADR relates as a result of a number of factors. These factors include the fees and expenses associated with holding an ADR, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into U.S. dollars, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of the Fund, as a holder of an ADR, may be different than the rights of holders of the underlying securities to which the ADR relates, and the market for an ADR may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the ADR and, as a consequence, the performance of the investor holding the ADR.

***Money Market Instruments.*** The Investment Manager may invest, for defensive purposes or otherwise, all or a portion of a Fund’s assets in high quality fixed-income securities, money-market instruments, and foreign money-market mutual funds, or hold cash or cash equivalents in such amounts as the Investment Manager deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers’ acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

***Loans of Portfolio Securities.*** A Fund may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Fund’s assets. By doing so, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

## **9. DISCIPLINARY INFORMATION**

Neither Blue Shores nor its management personnel have any legal or disciplinary events that are material to an investor’s or prospective investor’s evaluation of their advisory business or the integrity of their management.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain management persons of Blue Shores are registered, or have an application pending to register as registered representatives and associated persons of a broker-dealer.

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

## **Code of Ethics**

Blue Shores has adopted a code of ethics, in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 (“Code of Ethics”). The Code of Ethics sets forth the rules for business conduct and personal investing activities of its employees. The Code of Ethics, among other things, sets ethical standards and requires compliance with the securities laws, safeguards material, nonpublic information about clients’ transactions and portfolio holdings, and requires initial and annual reports of securities holdings for access persons.

Investors and prospective investors may obtain a copy of the Code of Ethics upon request in writing to: Blue Shores Capital Management LLC, Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

## **Participation or Interest in client Transactions & Personal Trading**

Blue Shores’ employees and officers may maintain positions in, or buy or sell the same securities or related options as clients (the Funds) buy or sell. In cases such as this, employees and officers of Blue Shores would have an interest in the success of a security that may be recommended to, owned by, sold for or purchased for a client.

Employee trades are reviewed, so that no employee’s trade execution receives a better execution price than a client’s for the same security traded on the same day in a Blue Shores account. Blue Shores employees are not permitted to buy or sell any securities that are included on an “Blue Shores Restricted Security List” (security trades placed by Blue Shores acting in the capacity of a portfolio manager) for a 24 hour period. However, this restriction does not apply to employee accounts under contract with, and managed by, a professional investment manager. Blue Shores will distribute the “Blue Shores Restricted Security List” daily via an office-wide e-mail prior to trading securities for a Blue Shores managed investment account. The time stamp and date on the e-mail begins the 24 hour restriction. Employee trades will be reviewed at least monthly and, if an employee traded a security on the “Blue Shores Restricted Security List,” the employee trade may, on a case-by-case basis, be busted to an error account, except as noted above. The intent of such a restriction and corrective action is to avoid potential conflicts of interest that may arise in the trading activities on behalf of clients.

Blue Shores’ policy is to not engage in principal or agency cross transactions.

## **12. BROKERAGE PRACTICES**

Blue Shores has the authority to determine the securities that are bought and sold for the Funds, the amount of securities to be bought or sold, the broker dealer to be used and the brokerage commissions, dealer spreads (for fixed income securities) and other fees to be paid.

Blue Shores seeks to obtain best execution for client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular

circumstances. Best execution means not only seeking to achieve the best price but also the consideration of many factors, such as the characteristics of specific trades, the stock being traded, specific needs of the Funds, conditions in the market at the time the order is placed and the overall efficiency of market structure. When choosing broker-dealers, Blue Shores will also consider execution capability, commission rate, the likelihood of price improvement, the speed of execution and likelihood of execution for limited orders, the ability to minimize market impact, the maintenance of confidentiality orders, and responsiveness of broker-dealers.

Blue Shores does not have any formal or informal arrangements or commitments to use research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis as of January 6, 2016 through it intends to formalize an Agreement with its Prime Broker prior to commencement of Fund(s) launch.

Research and Other Soft Dollar Benefits. Blue Shores intends to sign an Agreement with its Prime Broker to use client brokerage commissions generated from trade executions to pay for research and quotation services including but not limited to Bloomberg LP. The use of these “soft dollars” to obtain research and quotation services will be limited to eligible research and services within the meaning of Section 28(e) of the Securities Exchange Act of 1934.

When Blue Shores uses soft dollars to obtain research and brokerage products and services, this practice creates several conflicts of interest between Blue Shores and its clients:

- a) When Blue Shores uses soft dollars to pay for research and quotation services, Blue Shores receives a benefit because it will not have to pay for such services itself.
- b) Blue Shores may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients’ interest in receiving most favorable execution.
- c) Clients will pay brokerage commissions that are higher than those charged by other broker-dealers in return for soft dollar benefits.
- d) Blue Shores intends to use soft dollar benefits to service all of its clients’ accounts, rather than only those accounts that paid for the benefits. Blue Shores does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.
- e) Some products or services purchased with soft dollars may have research and non-research uses. Blue Shores will make a good faith allocation of the portion of the product that can be paid for with soft dollars, and the portion that Blue Shores must pay for out of its own funds. This allocation creates a conflict of interest for Blue Shores that it seeks to mitigate through disclosure in this brochure.

## **Trade Aggregation and Allocation**

The aggregation or blocking of client transactions allows Blue Shores to execute transactions in a more timely, equitable and efficient manner. Blocking is done in an attempt to achieve a better overall price execution for a client.

Blue Shores seeks to allocate securities in a manner that is fair and equitable to all clients, with no particular group or client(s) being favored or disfavored over any other clients. Blue Shores prohibits allocation of trades in a manner that favors Blue Shores' proprietary accounts or any particular Fund.

Blue Shores may aggregate Fund trades, provided that the following conditions are met: (1) Blue Shores will not aggregate transactions, unless it believes that aggregation is consistent with its duty to seek best execution for its clients; (2) no advisory client will be favored over any other client; (3) each client that participates in an aggregated order will participate at the average share price for a given order, in a given security, on a given business day, and (4) if the aggregated order is not filled in its entirety, it will be allocated proportionately to receive the same allocation as the proportion of the total pre-trade allocation at the average price. For remaining portions that are filled on the following business day, clients will receive the same allocation as the proportion of the total pre-trade allocation at the average price of the business day.

Blue Shores' clients may have different investment objectives, strategies, risk tolerance, tax status and other factors, and therefore may hold different securities, or the same securities in different percentages.

### **Error Correction Practices**

Blue Shores' policy is to seek to identify and correct any errors as promptly as possible, without disadvantaging the client. Losses that are incurred as a result of an error made by Blue Shores are paid for by Blue Shores. Generally, Blue Shores retains gains resulting from a trade error in an error account.

## **13. REVIEW OF ACCOUNTS**

The Blue Shores Investment Committee reviews the Funds' performance weekly to ensure appropriate security structure and cash level in relation to the Blue Shores investment model. The Committee reviews asset allocation, holdings, performance, as well as industry, sector and issue concentrations and for general adherence to Blue Shores' stated style.

Investors will receive a written quarterly performance report, which will review Fund performance, asset allocation, and selected portfolio holdings. Blue Shores follows industry standards in the calculation and presentation of performance information.

### **Electronic Access to Communications**

Investors may consent to electronic delivery of fund communications from Blue Shores at Blue Shores' discretion. Consent to electronic delivery, when given, will be effective immediately and will remain in effect unless and until revoked. Investors may revoke this consent at any time and request paper copies by writing to: Blue Shores Capital Management LLC, Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Other Compensation**

Not applicable.

### **Referral Arrangements**

Blue Shores compensates a third-party placement agent to offer shares of the Fund; the placement agent receives commissions on such sales.

## **15. CUSTODY**

Blue Shores has custody of Fund assets. Investors will receive audited financial statements each year from the Funds' independent public accountants.

## **16. INVESTMENT DISCRETION**

Blue Shores has discretion over the Funds' assets; this discretion is limited by the terms of the Funds' offering documents.

## **17. VOTING CLIENT SECURITIES**

Blue Shores voting proxies consistent with the best economic interests of the Funds. Blue Shores uses a proxy voting service for corporate actions and proxies. Blue Shores makes proxy voting information available to investors upon request. A copy of the Policy and voting information may be obtained by writing to: Blue Shores Capital Management LLC, Attention: Compliance, 5002 T-Rex Avenue, Suite 225, Boca Raton, FL 33431.

## **18. FINANCIAL INFORMATION**

Blue Shores does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and, therefore, has not included a balance sheet for its most recent fiscal year. Blue Shores is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has Blue Shores been the subject of a bankruptcy petition at any time during the past ten years.