

**FORM ADV PART 2A  
DISCLOSURE BROCHURE**



**Office Address:**  
1001 James Street  
Syracuse, New York 13203

Tel: 315-438-8690

**Website:**  
[www.bluewatercm.com](http://www.bluewatercm.com)

This brochure provides information about the qualifications and business practices of Blue Water Capital Management, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 315-438-8690. 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 Water Firm, LLC (CRD #143414) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**MARCH 13, 2020**

## **Item 2: Material Changes**

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### **Annual Update**

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

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### **Material Changes since the Last Update**

This update is in accordance with the annual requirements for Registered Investment Advisors. Since the last filing of this brochure on March 26, 2019 the following has changed:

- Item 4 has been updated to disclose the current assets under management.
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### **Full Brochure Available**

This Firm Brochure being delivered is the complete brochure for the Firm.

## Item 3: Table of Contents

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## **Item 4: Advisory Business**

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### **Firm Description**

Blue Water Capital Management, LLC (“Blue Water”) was founded in 2007. Blue Water is owned by Stephen Swift, John Paganelli, and Thomas Brown.

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### **Types of Advisory Services**

#### **ASSET MANAGEMENT**

Blue Water offers discretionary asset management services to advisory Clients. Blue Water will offer Clients ongoing asset management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The Client will authorize Blue Water discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

#### **Investnet**

Blue Water may offer discretionary direct asset management services to advisory clients utilizing Investnet’s wrap program described in detail in their appendix. The wrap program provides access to the portfolios on the Investnet platform. Blue Water will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, assets allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize Blue Water discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

#### **ERISA PLAN SERVICES**

Blue Water provides service to qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit-sharing plans, cash balance plans, and deferred compensation plans. Blue Water may act as either a 3(21) and/or 3(38) advisor:

**Limited Scope ERISA 3(21) Fiduciary.** Blue Water may serve as a limited scope ERISA 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions on a non-discretionary basis. As an investment advisor Blue Water has a fiduciary duty to act in the best interest of the Client. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using Blue Water can help the plan sponsor delegate liability by following a diligent process.

#### **1. Fiduciary Services are:**

- Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan’s investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options. Blue Water acknowledges that it is a fiduciary as defined in ERISA section 3 (21) (A) (ii).
- Assist the Client in the development of an investment policy statement (“IPS”). The IPS establishes the investment policies and objectives for the Plan. Client shall have the

ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.

- Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5) and 404(a)-5.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Meet with Client on a periodic basis to discuss the reports and the investment recommendations.

2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands Blue Water's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, Blue Water is not providing fiduciary advice as defined by ERISA 3(21)(A)(ii) to the Plan participants. Advisor will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

Blue Water may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Advisor and Client.

3. Blue Water has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;
- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to Blue Water on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

**ERISA 3(38) Investment Manager.** Blue Water can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. Blue Water would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

1. Fiduciary Services are:

- Blue Water has discretionary authority and will make the final decision regarding the initial selection, retention, removal and addition of investment options in accordance with the Plan's investment policies and objectives.
- Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan.
- Provide discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5).

2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands the Blue Water's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the Blue Water is not providing fiduciary advice as defined by ERISA to the Plan participants. Blue Water will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

Blue Water may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Blue Water and Client.

3. Blue Water has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;



- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to the Adviser on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

#### FINANCIAL PLANNING AND CONSULTING

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion. If the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transaction through Blue Water. Financial plans will be completed

and delivered inside of sixty (60) days contingent upon timely delivery of all required documentation.

#### **SEMINARS AND WORKSHOPS**

Blue Water holds seminars and workshops to educate the public on different types of investments and the different services they offer. The seminars are educational in nature and no specific investment or tax advice is given.

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#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each Client are documented in our Client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written Client consent.

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#### **Wrap Fee Programs**

Blue Water does not sponsor any wrap fee programs.

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#### **Client Assets under Management**

As this is the December 31, 2019 Blue Water managed \$113,838,000 of clients' assets on a discretionary basis.

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### **Item 5: Fees and Compensation**

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#### **Method of Compensation and Fee Schedules**

##### **ASSET MANAGEMENT**

Blue Water offers discretionary direct asset management services to advisory Clients. Blue Water charges an annual investment advisory fee based on the total assets under management as follows:

Assets Under Management	Annual Fee	Quarterly Fee
First \$250,000	1.55%	0.3875%
The next \$250,001 - \$500,000	1.50%	0.3750%
The next \$500,001 - \$1,000,000	1.25%	0.3125%
The next \$1,000,001 - \$2,000,000	1.00%	0.2500%
The next \$2,000,001 - \$3,000,000	0.75%	0.1875%
Amounts over \$3,000,000	0.50%	0.1250%

This is a blended fee schedule; the asset management fee is calculated by applying different rates to different portions of the portfolio. Blue Water may group certain related Client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

For example, a Client with \$1,000,000 under management would pay \$14,500 on an annual basis.

First \$250,000 x .0155= \$3,875

Next \$500,000 x .0150= \$7,500

Next \$250,000 x .0125 = \$3,125

The annual fee may be negotiable based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.). Fees are billed quarterly in advance based on the amount of assets managed as of the close of business on the last business day of the previous quarter. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement with no obligation and without penalty. Clients may terminate advisory services with thirty (30) days written notice. For accounts opened or closed mid-billing period, fees will be prorated based on the day's services are provided during the given period. Additionally, all unearned fees will be refunded to the Client. Client shall be given thirty (30) days prior written notice of any increase in fees. Any increase in fees will be acknowledged in writing by both parties before any increase in said fees occurs.

### **Envestnet**

The fees charged by Blue Water are in addition to the fees charged by Envestnet, any other investment advisor, and the custodian. For clients utilizing the Envestnet platform, fees for Blue Water will be based on assets under management as follows:

Assets Under Management	Annual Fee	Quarterly Fee
First \$250,000	1.55%	0.3875%
The next \$250,001 - \$500,000	1.50%	0.3750%
The next \$500,001 - \$1,000,000	1.25%	0.3125%
The next \$1,000,001 - \$2,000,000	1.00%	0.2500%
The next \$2,000,001 - \$3,000,000	0.75%	0.1875%
Amounts over \$3,000,000	0.50%	0.1250%

This is a blended fee schedule; the asset management fee is calculated by applying different rates to different portions of the portfolio. Blue Water may group certain related Client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

For example, a Client with \$1,000,000 under management would pay \$14,500 on an annual basis.

First \$250,000 x .0155= \$3,875

Next \$500,000 x .0150= \$7,500

Next \$250,000 x .0125 = \$3,125

The annual Fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in advance. Envestnet's billing services calculates the fees for Envestnet, Blue Water, the custody fee, and the manager fee. Monthly prorates are run to capture additional deposits or withdrawals and intra quarter account opening and closings. Fees collected by Envestnet from the client account will be distributed to the appropriate parties for payment. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. Client will be entitled

to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees.

#### ERISA PLAN SERVICES

The annual fees are based on the market value of the Included Assets and will not exceed 1.55%. The annual fee is negotiable and may be charged as a percentage of the Included Assets. Fees may be charged quarterly or monthly in arrears or in advance based on the assets as calculated by the custodian or record keeper of the Included Assets (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets). If the services to be provided start any time other than the first day of a quarter or month, the fee will be prorated based on the number of days remaining in the quarter or month. If this Agreement is terminated prior to the end of the billing cycle, Blue Water shall be entitled to a prorated fee based on the number of days during the fee period services were provided or Client will be due a prorated refund of fees for days services were not provided in the billing cycle.

The fee schedule, which includes compensation of Blue Water for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees; however the Plan Sponsor may elect to pay the fees. Client may elect to be billed directly or have fees deducted from Plan Assets. Blue Water does not reasonably expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, Blue Water will disclose this compensation, the services rendered, and the payer of compensation. Blue Water will offset the compensation against the fees agreed upon under the Agreement.

#### FINANCIAL PLANNING AND CONSULTING

Blue Water charges an hourly fee for financial planning. Prior to the planning process the Client will be provided an estimated plan fee. Services are completed and delivered inside of sixty (60) days contingent upon timely delivery of all required documentation. Client may cancel within five (5) business days of signing Agreement with no obligation and without penalty. If the Client cancels after five (5) business days, any unearned fees will be refunded to the Client, or any unpaid earned fees will be due to Blue Water. Blue Water reserves the right to waive the fee should the Client implement the plan through Blue Water.

#### HOURLY FEES

Financial Planning Services are offered based on an hourly fee of \$250 per hour.

Fees for financial plans are due upon delivery of the completed plan.

#### SEMINARS AND WORKSHOPS

Blue Water holds seminars and workshops to educate the public on different types of investments and the different services they offer. The seminars are educational in nature and no specific investment or tax advice is given.

Blue Water does not charge a fee for attendance to these seminars.

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#### **Client Payment of Fees**

Investment management fees are billed quarterly in advance, meaning that we invoice you before the billing period. Fees are usually deducted from a designated Client account to

facilitate billing. The Client must consent in advance to direct debiting of their investment account.

Fees for financial plans are due upon delivery of the completed plan.

Blue Water, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

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**Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, and exchange-traded funds. These charges may include mutual fund transaction fees, postage and handling and miscellaneous fees.

For more details on the brokerage practices, see Item 12 of this brochure.

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**Prepayment of Client Fees**

Blue Water does not require any prepayment of fees of more than \$1200 per Client and six months or more in advance.

Fees for financial plans are due, in full, at the commencement of the contract.

Investment management fees are billed quarterly in advance.

Fees for ERISA 3(21) and 3(38) services may be billed in advance.

If the Client cancels after five (5) business days, any unearned fees will be refunded to the Client, or any unpaid earned fees will be due to Blue Water.

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**External Compensation for the Sale of Securities to Clients**

Blue Water does not receive any external compensation for the sale of securities to Clients, nor do any of the investment advisor representatives of Blue Water.

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**Item 6: Performance-Based Fees and Side-by-Side Management**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Blue Water does not use a performance-based fee structure because of the conflict of interest. Performance based compensation may create an incentive for Blue Water to recommend an investment that may carry a higher degree of risk to the Client.

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**Item 7: Types of Clients**

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**Description**

Blue Water generally provides investment advice to individuals, high net worth individuals, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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**Account Minimums**

Blue Water requires a minimum of \$50,000 to open an account. In certain instances, the minimum account size may be lowered or waived.

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**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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**Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Quantitative Analysis: We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of share price or earnings per share and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis: We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis: We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Risks for all forms of analysis: Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

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### **Investment Strategy**

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time by providing written notice to Blue Water. Each Client executes a Client profile form or similar form that documents their objectives and their desired investment strategy. Other strategies may include long-term purchases.

Long-term purchases: We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Risk of Loss: Securities investments are not guaranteed, and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

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### **Security Specific Material Risks**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with Blue Water:

- *Market Risk:* The prices of securities held by mutual funds in which Clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by a fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Management Risk:* The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.
- *Equity Risk:* Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the Client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- *Fixed Income Risk:* The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- *Investment Companies Risk:* When a Client invests in open end mutual funds or ETFs, the Client indirectly bears their proportionate share of any fees and expenses payable directly by those funds. Therefore, the Client will incur higher expenses, which may be duplicative. In addition, the Client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is



above or below their net asset value or (ii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. Adviser has no control over the risks taken by the underlying funds in which Client invests.

- *Foreign Securities Risk:* Funds in which Clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- *Long-term purchases:* Long-term investments are those vehicles purchased with the intension of being held for more than one year. Typically the expectation of the investment is to increase in value so that it can eventually be sold for a profit. In addition, there may be an expectation for the investment to provide income. One of the biggest risks associated with long-term investments is volatility, the fluctuations in the financial markets that can cause investments to lose value.
- *Trading risk:* Investing involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund or investment will be achieved.
- *Trading on Margin:* In a cash account, the risk is limited to the amount of money that has been invested. In a margin account, risk includes the amount of money invested plus the amount that has been loaned. As market conditions fluctuate, the value of marginable securities will also fluctuate, causing a change in the overall account balance and debt ratio. As a result, if the value of the securities held in a margin account depreciates, the Client will be required to deposit additional cash or make full payment of the margin loan to bring account back up to maintenance levels. Clients who cannot comply with such a margin call may be sold out or bought in by the brokerage firm.
- *Leveraged Risk:* The risks involved with using leverage may include compounding of returns (this works both ways – positive and negative), possible reset periods, volatility, use of derivatives, active trading and high expenses.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

Blue Water and its management have not been involved in any criminal or civil action.

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**Administrative Enforcement Proceedings**

Blue Water and its management have not been involved in administrative enforcement proceedings.

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**Self-Regulatory Organization Enforcement Proceedings**

Blue Water and its management have not been involved in legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Blue Water or the integrity of its management.

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**Item 10: Other Financial Industry Activities and Affiliations**

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**Broker-Dealer or Representative Registration**

Blue Water is not registered as a broker-dealer and no affiliated representatives of Blue Water are registered representatives of a broker-dealer.

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**Futures or Commodity Registration**

Neither Blue Water nor its affiliated representatives are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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**Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Stephen Swift has a financial affiliated business as an insurance agent with Northeast Financial Alliance, LLC. Approximately 10% of his time is spent on these activities. will offer Clients services from those activities. As an insurance agent, he may receive separate yet typical compensation.

Thomas Brown has a financial affiliated business as a sole proprietor insurance agent. Approximately 10% of his time is spent on these activities. He will offer Clients services from those activities. As an insurance agent, he may receive separate yet typical compensation.

These practices represent conflicts of interest because it gives an incentive to recommend products based on the commission amount received. This conflict is mitigated by disclosures, procedures and the firm's fiduciary obligation to place the best interest of the Client first and the Clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

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**Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

Blue Water does not select or recommend other investment advisors.

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**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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**Code of Ethics Description**

The affiliated persons (affiliated persons include employees and/or independent contractors) of Blue Water have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of Blue Water affiliated persons and addresses conflicts that may arise. The Code defines acceptable behavior for affiliated

persons of Blue Water. The Code reflects Blue Water and its supervised persons' responsibility to act in the best interest of their Client.

One area which the Code addresses is when affiliated persons buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our Clients. We do not allow any affiliated persons to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our Clients.

Blue Water's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other affiliated person, officer or director of Blue Water may recommend any transaction in a security or its derivative to advisory Clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

Blue Water's Code is based on the guiding principle that the interests of the Client are our top priority. Blue Water's officers, directors, advisors, and other affiliated persons have a fiduciary duty to our Clients and must diligently perform that duty to maintain the complete trust and confidence of our Clients. When a conflict arises, it is our obligation to put the Client's interests over the interests of either affiliated persons or the company.

The Code applies to "access" persons. "Access" persons are affiliated persons who have access to non-public information regarding any Clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to Clients, or who have access to such recommendations that are non-public.

Blue Water will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

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### **Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

Blue Water and its affiliated persons do not recommend to Clients securities in which we have a material financial interest.

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### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Blue Water and its affiliated persons may buy or sell securities that are also held by Clients. In order to mitigate conflicts of interest such as trading ahead of Client transactions, affiliated persons are required to disclose all reportable securities transactions as well as provide Blue Water with copies of their brokerage statements.

The Chief Compliance Officer of Blue Water is Stephen Swift. He reviews all trades of the affiliated persons each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of the firm receive preferential treatment over associated persons' transactions.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Blue Water does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, affiliated persons may buy or sell securities at the same time they buy or sell securities for Clients. In order to mitigate conflicts of interest such as front running, affiliated persons are required to disclose all reportable securities transactions as well as provide Blue Water with copies of their brokerage statements.

The Chief Compliance Officer of Blue Water is Stephen Swift. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of the firm receive preferential treatment over associated persons' transactions.

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**Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

Blue Water may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the Client's choosing. Blue Water will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. Blue Water relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by Blue Water.

- *Directed Brokerage*  
Blue Water does not allow directed brokerage accounts.
- *Best Execution*  
Investment advisors who manage or supervise Client portfolios have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to affect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.
- *Soft Dollar Arrangements*  
Blue Water does not receive soft dollar benefits.

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**Aggregating Securities Transactions for Client Accounts**

Blue Water manages each account separately, and therefore, does not aggregate purchases and sales and other transactions. If orders are not aggregated, some clients purchasing securities around the same time may receive a less favorable price than other clients which may cost clients more money.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory**

#### **Persons Involved**

Account reviews are performed quarterly by the Chief Compliance Officer of Blue Water. Account reviews are performed more frequently when market conditions dictate. Reviews of Client accounts include, but are not limited to, a review of Client documented risk tolerance, adherence to account objectives, investment time horizon, and suitability criteria, reviewing target bans of each asset class to identify if there is an opportunity for rebalancing, and reviewing accounts for tax loss harvesting opportunities.

Financial plans generated are updated as requested by the Client and pursuant to a new or amended agreement, Blue Water suggests updating at least annually.

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#### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of Clients' accounts are changes in the tax laws, new investment information, and changes in a Client's own situation.

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#### **Content of Client Provided Reports and Frequency**

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by Blue Water's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

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

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### **Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Blue Water does not receive any economic benefits from external sources.

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#### **Advisory Firm Payments for Client Referrals**

Blue Water may enter into agreements with individuals and organizations, which may be affiliated or unaffiliated with Blue Water, that refer Clients to Blue Water in exchange for compensation. All such agreements will be in writing and comply with the requirements of Federal or State regulation. If a Client is introduced to Blue Water by a solicitor, Blue Water may pay that solicitor a fee. While the specific terms of each agreement may differ, generally, the compensation will be based upon Blue Water's engagement of new Clients and is calculated using a varying percentage of the fees paid to Blue Water by such Clients. Any such fee shall be paid solely from Blue Water's investment management fee and shall not result in any additional charge to the Client.

Each prospective Client who is referred to Blue Water under such an arrangement will receive a copy of this brochure and a separate written disclosure document disclosing the nature of the relationship between the solicitor and Blue Water and the amount of compensation that will be paid by Blue Water to the solicitor. The solicitor is required to obtain the Client's signature acknowledging receipt of Blue Water's disclosure brochure and the solicitor's written disclosure statement.

## **Item 15: Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to any documentation or reports prepared by Blue Water.

Blue Water is deemed to have constructive custody solely because advisory fees are directly deducted from Client's accounts by the custodian on behalf of Blue Water.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

Blue Water requires discretionary authority to manage securities accounts on behalf of Clients. Blue Water has the authority to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Blue Water allows Client's to place certain restrictions, as outlined in the Client's Investment Policy Statement or similar document. Such restrictions could include only allowing purchases of socially conscious investments. These restrictions must be provided to Blue Water in writing.

The Client approves the custodian to be used and the commission rates paid to the custodian. Blue Water does not receive any portion of the transaction fees or commissions paid by the Client to the custodian.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Blue Water Capital Management by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact R. Bruce Bachman by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting Blue Water Capital Management.

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## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because Blue Water does not serve as a custodian for Client funds or securities and Blue Water does not require prepayment of fees of more than \$1200 per Client and six months or more in advance.

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### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Blue Water has no condition that is reasonably likely to impair our ability to meet contractual commitments to our Clients.

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### **Bankruptcy Petitions during the Past Ten Years**

Blue Water has not had any bankruptcy petitions in the last ten years.