

**Part 2A of Form ADV: Firm Brochure**

**Item 1      Cover Page**

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CRD#: 306450

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This Brochure provides information about the qualifications and business practices of Blue Water Life Science Advisors, LLC (the “**Adviser**” or “**Blue Water**”). If you have any questions about the contents of this Brochure, please contact us by telephone at (415)-573-1123 or by e-mail at *evans@bluewaterlifescienceadvisors.com*. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to Blue Water as a registered investment adviser does not imply any level of skill or training.

## **Item 2            Material Changes**

Since its “*other than annual*” filing dated April 14, 2021, this brochure has been updated to disclose the following material changes:

- Item 4 has been updated to reflect the regulatory assets under management as of August 31, 2021; and
- Item 5 has been updated to reflect changes to the management fee, which has been increased from 1% to 2%.

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#### Item 4            Advisory Business

##### **A.        General Description of Advisory Firm**

Blue Water Life Science Advisors, LLC (the “**Adviser**”), a limited liability company organized under the laws of the State of Delaware, was formed on June 3, 2014 as Blue Water Private Capital LLC. On January 11, 2017, the name was changed to Blue Water Life Science Advisors, LLC. The Adviser’s principal place of business is in Larkspur, California. The Adviser is wholly owned by Nathaniel (“Nate”) T. Cornell, who currently is the Adviser’s sole principal. The Adviser is a registered investment adviser with the United States Securities and Exchange commission (the “SEC”).

##### **B.        Description of Advisory Services (including any specializations)**

The Adviser provides investment advisory services on a discretionary basis to its clients which includes high net worth individuals with separately managed accounts (each, an “**SMA Client**”) and pooled investment vehicles (each, a “**Fund**” and with the SMA Clients, the “**Clients**”) intended for sophisticated investors and qualified clients. Each pooled investment vehicle has a single investment strategy and a set of investment guidelines. Investors in a Fund are generally “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933, as amended (the “**Securities Act**”), and are generally “qualified purchasers” within the meaning of Section 2(a)(51) under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and “qualified clients” within the meaning of Rule 205-3 under the Advisers Act. Currently, the Funds advised by the Adviser consist of the following: Blue Water Life Science Fund, LP (the “**Onshore Feeder Fund**”), Blue Water Life Science Offshore Fund, Ltd. (the “**Offshore Feeder Fund**”), and the Blue Water Life Science Master Fund, Ltd. (the “**Master Fund**”).

The Adviser mainly invests client assets in life sciences companies with a focus on technology platforms, diagnostics, and devices. Clients may opportunistically invest in emerging pharmaceutical companies, establish short sale positions, and deploy portfolio hedges. Notwithstanding the foregoing, the Adviser has the flexibility to make a broad range of investments and to act opportunistically on behalf of its Clients.

##### **C.        Availability of Tailored Services for Individual Clients**

Blue Water’s advisory services are provided to its Clients pursuant to the terms of each Client’s applicable governing documents. The advisory services a Fund receives are tailored to meet the specified investment objectives and strategies as set forth in the Fund’s offering documents. Investors generally cannot impose additional investment guidelines, restrictions, or other requirements on such Fund. Adviser provides advice to SMA Client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of SMA Clients by adhering to the investment restrictions imposed by such SMA Clients.

##### **D.        Wrap Fees**

The Adviser currently does not participate in any wrap fee programs.

##### **E.        Client Assets Under Management**

As of August 31, 2021, the Adviser manages approximately \$341.4 million of *regulatory* assets on a discretionary basis.

## Item 5            Fees and Compensation

### A.            Advisory Fees and Compensation

#### Separately Managed Accounts

##### *Asset-Based Compensation*

The Adviser charges each SMA Client an investment management fee (the “**Management Fee**”) based on the value of the Client’s assets under management.

The Adviser will receive a Management Fee, payable quarterly in advance, which will be 2% based on the total market value of the assets in the SMA Client account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of such quarter. Management Fees are negotiable in the sole and absolute discretion of the Adviser and vary between SMA Clients. Management Fees and their terms and conditions will be set-out in, and calculated in accordance with, the terms of the investment advisory agreement for each SMA Client. The Adviser may, in its sole discretion, agree to waive or reduce the Management Fees for certain SMA Clients. The Adviser may have an incentive to allocate investment opportunities to SMA Clients that pay a higher fee, that employ more leverage, or that have higher break-point levels. The Adviser seeks to mitigate these conflicts pursuant to its allocation policies and procedures (See Item 11, below).

#### Pooled Investment Vehicles

##### *Asset-Based Compensation*

With respect to each investor in a Fund, the Adviser will receive a quarterly management fee (the “**Management Fee**”) in advance equal to 0.5% (2.00% annually) based on the aggregate capital account (“**Capital Account**”) balance of such investor at the beginning of the calendar quarter (as described in each Fund’s governing documents), after accounting for any subscriptions or redemptions and any side pocket, if applicable. To the extent an investor is permitted to withdraw mid-quarter following the lock-up period (as described in the applicable Fund’s governing documents), the investor will receive a prorated refund of any portion of the Management Fee paid in advance by the investor. If an investor is permitted to withdraw during such lock-up period, such investor will not receive a refund of any portion of the Management Fee.

Notwithstanding the foregoing, the Adviser, in its discretion, may waive all or a portion of the Management Fee as to a Fund investor, or may agree with a Fund investor to other changes in the Management Fee with respect to such investor.

##### *Performance-Based Compensation*

The Adviser will receive an annual profit allocation equal to 20% of the profits (including realized and unrealized gains and losses) allocated to the Capital Account of each Fund investor (each a “**Performance Allocation**”). The Onshore Feeder Fund will maintain a Loss Carryforward Account for each of its investors (a similar concept is employed for investors in the Offshore Feeder Fund and the Master Fund). Each investor’s Loss Carryforward Account will be debited with any net capital depreciation (taking into account the investor’s share of the Management Fee) allocated to such investor’s Capital Account. The Adviser will not receive any Performance Allocation with respect to an investor’s Capital Account until such investor has recovered all amounts debited to its Loss Carryforward Account (as adjusted for withdrawals of capital). Any Performance Allocation earned or allocated to the

Adviser with respect to a particular period is not subject to reduction, refund, or “claw back” based on subsequent changes in an investor’s Loss Carryforward Account. Notwithstanding the foregoing, Adviser, in its discretion, may waive all or a portion of the Performance Allocation as to a Fund investor, or may agree with a Fund investor to other changes in the Performance Allocation with respect to that investor.

**B. Payment of Fees**

The Adviser deducts the Management Fee and Performance Allocation (if applicable) from Client accounts by instructing the Client’s custodian. The Adviser shall send an invoice to the custodian indicating the amount of the fees to be deducted from the relevant Client account.

With respect to each SMA Client, the Adviser deducts the Management Fee quarterly in advance. With respect to each Fund, the Adviser deducts the Management Fee and Performance Allocation, if any, from such Fund directly after such Management Fee and Performance Allocation have been calculated. The Adviser deducts the Management Fees quarterly in advance and the Performance Allocation annually (or on an earlier withdrawal of a Fund investor as to amounts withdrawn).

**C. Other Fees and Expenses**

In addition to paying Management Fees and, if applicable, Performance Allocation (or the equivalent) or other compensation, Client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the Client’s account invests) associated with products or services that may be necessary or incidental to such investments or accounts. Client assets may be invested in pooled investment vehicles. In these cases, Clients will bear their pro rata share of the underlying fund’s operating and other expenses including, in addition to those listed above: sales expenses, legal expenses, internal and external accounting, audit and tax preparation expenses, and organizational expenses. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the Client will bear its pro rata share of the investment management fee and other fees of such money market mutual funds, ETFs or other registered investment companies, which are in addition to the investment Management Fee paid to the Adviser. Please refer to Item 12 below for a discussion of the Adviser’s brokerage practices.

Each of our clients bear various costs, fees, and expenses in addition to the compensation payable to the Adviser or an affiliate of the Adviser. Although we set forth enumerated lists below, all investors in our clients and prospective investors should review the private placement memorandum of their respective fund (including any relevant supplements) and other governing documents for each applicable client, which may discuss additional costs, fees and expenses not discussed below.

Our clients, and consequently the investors in our clients, generally incur the following expenses:

- offering, organizational and reorganizational expenses (including legal and accounting fees, printing costs, travel, “blue sky” filing fees and expenses and out-of-pocket expenses);
- expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including, without limitation, (i) third-party investment sourcing fees; (ii) fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data); (iii) due diligence expenses, including, without limitation, consulting and appraisal fees; (iv) brokerage and prime brokerage fees, commissions and expenses; expenses relating to short sales; (v) clearing and settlement charges; (vi) custodial fees and expenses; (vii) bank service fees; (viii) interest expenses and fees related to financings or refinancing’s; (ix) fees and expenses of proxy research and voting services; and (x) fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys and accountants; and
- operational expenses, including, without limitation, (a) fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of securities or otherwise manage any of the funds, such as Bloomberg terminals, portfolio management systems and order management systems; (b) third-party administrative fees and expenses; (c) fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys and accountants; the costs of any litigation or investigation involving activities of any of the funds; (d) third-party audit and tax preparation expenses; (e) fees, expenses (including, without limitation, expenses related to the organization and conduct of directors’ and partners’ meetings; (f) costs of preparing and distributing reports and notices; (g) taxes; (h) expenses incurred in connection with negotiating and complying with provisions of any side letter agreement; (i) fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the funds, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with Section 13 filings, Section 16 filings and other similar regulatory filings); (j) expenses incurred in connection with the offering and sale of the interests and other similar expenses related to any of the funds (excluding fees payable to any placement agent); (k) extraordinary expenses, including, without limitation, indemnification expenses; (l) fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and (m) fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination any of the funds.

The fees and expenses we have enumerated above may not contemplate every type of fee or expense our clients may incur. Furthermore, the Adviser may in the future provide investment management services to other/additional clients.



**D. Prepayment of Fees**

If a Client prepays fees to the Adviser in advance, upon the termination of such Client's account during the relevant fee period, the Management Fee will be prorated for the days remaining in that fee period and any prepaid, unearned fees will be refunded to the relevant Client.

**E. Additional Compensation and Conflicts of Interest**

Blue Water does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## Item 6                      Performance-Based Fees and Side-By-Side Management

The Adviser and its investment personnel may provide investment management services to multiple portfolios for multiple Clients. The Adviser is entitled to be paid performance-based compensation by the Funds and certain other Client accounts. Please refer to Item 5 for a discussion of performance-based compensation paid to the Adviser. The Adviser and its investment personnel may manage both Client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel may have a greater incentive to favor Client accounts that pay the Adviser (and indirectly the investment personnel) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities *pro rata* based on asset size and require that, to the extent orders are permitted to be aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

## **Item 7            Types of Clients**

The Adviser's Clients currently consist of high-net-worth individuals and pooled investment vehicles (i.e., the Funds). The Adviser, however, is not precluded from advising types of clients that are not listed above.

This brochure is not an offer to invest in any of our clients.

The Adviser generally requires a minimum of \$500,000 of assets under management for an SMA Client but may waive this minimum in its sole and absolute discretion. If the account size falls below the minimum requirement due to market fluctuations only, a Client will not be required to invest additional funds with the Adviser to meet the minimum account size.

With respect to any Client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

The Adviser may request SMA Clients to provide proof of authority, directed trading letters, qualified client or qualified purchaser status, accredited investor letters/certifications, and/or or other information to allow the Adviser to manage client assets.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. These methods entail an evaluation of investment opportunities using fundamental, technical, quantitative, and qualitative analyses to determine the intrinsic value of securities and other types of instruments.

The Adviser employs the following investment strategies with respect to its Clients:

*Buy and Hold.* The Adviser seeks to engage in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

*Equity.* The Adviser's equity strategy focuses on a broad range of equity investment styles, including growth, core, and value, as well as portfolios designed to be "style-neutral". Some client accounts focus on specific ranges on the capitalization scale, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Other client accounts will focus on investment opportunities in more than one capitalization category or across all capitalization levels.

*Fundamental Value.* The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.

*Growth.* The Adviser engages in a growth investment strategy wherein the Adviser attempts to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market.

*Hedging.* The Adviser may utilize a variety of financial instruments such as derivatives and options for risk management purposes.

*Leverage.* The Adviser's investment program may utilize a moderate amount of leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Relative Value.* The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

*Short Selling.* The Adviser may engage in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

These methods, strategies and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire contribution/investment.

**B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes

in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Short Selling Risk.* The Adviser's investment program may include a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Relative Value Risk.* In the event that the perceived mis-pricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Leverage.* Performance may be more volatile if a Client's account employs leverage.

*Hedging.* There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Frequent Trading.* The Adviser's strategy may involve frequent trading which will result in significantly higher commissions and charges to client accounts due to increased brokerage, which will offset client profits.

*Reliance on Key Person.* The Adviser will be substantially dependent on the services of Nate Cornell, its principal owner. In the event of his death, disability, departure or insolvency, the business of the Adviser may be adversely affected. Mr. Cornell will devote such time and effort as he deems necessary for the management and administration of the Adviser's business.

#### **C. Risks Associated with Types of Securities that are Primarily Recommended**

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-

political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Exchange Traded Funds.* Because ETFs are, by definition, portfolios of securities, the Adviser believes that the unsystematic risk associated with investments in ETFs is generally very low relative to investments in ordinary securities of individual issuers. However, there are events that can trigger sharp and sometimes adverse price movements in ETFs that are not related to movements of the market in general. Not limited to, but among these, are surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values of the ETF. In addition, the Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund, such as the Partnership, may have in an ETF. The Adviser may invest in small and/or unseasoned ETFs with small market capitalization. While smaller ETFs generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger ETFs. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger ETFs. As a result, the securities of smaller ETFs may be subject to wider price fluctuations.

*Options.* In connection with the use of options, there may be an imperfect correlation between the change in market value of a security and the prices of the options in the Client's account.

**Item 9                      Disciplinary Information**

Neither the Adviser nor any of its management persons have been involved in the following:

- A criminal or civil action in a domestic, foreign or military court of competent jurisdiction;
- An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority; or
- A self-regulatory organization (SRO) proceeding.

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

**A.            Broker-Dealer Registration Status**

Neither the Adviser nor any management persons of Blue Water are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B.            Commodities-Related Registration**

Neither the Adviser nor any management persons of Blue Water are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

**C.            Material Relationships or Arrangements with Industry Participants**

A Fund or the Adviser may enter into agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for such Fund. For example, such terms and conditions may provide for special rights to make future investments in the Fund; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such limited partners or shareholders. The modifications are solely at the discretion of the Fund and/or the Adviser and may, among other things, be based on the size of the limited partner’s or shareholder’s investment in the Fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in the Fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the Fund.

**D.            Material Conflicts of Interest Relating to Other Investment Advisers**

Blue Water does not recommend or select other investment advisers for their clients.



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

### **A.      Code of Ethics**

The Adviser has adopted a Code of Ethics (the “**Code**”) that obligates the Adviser and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons. Clients or prospective clients may obtain a copy of the Code by contacting the Adviser’s Chief Compliance Officer by telephone at (415) 464-2134 or by e-mail at [nate@bluewaterlifescienceadvisors.com](mailto:nate@bluewaterlifescienceadvisors.com).

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser will maintain and enforce written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

### **B.      Client Transactions in Securities where Adviser has a Material Financial Interest**

The Adviser or its related persons may invest client assets in one or more investment companies (and offshore investment vehicles for non-US Clients) for which the Adviser acts as a general partner and/or investment adviser (e.g., a Fund). This practice creates a conflict of interest because the Adviser or related person has an incentive to recommend/buy securities from (or sell securities to) Clients based on its own financial interests, rather than solely the interests of a Client. In addition, this practice results in the Client’s account being charged its *pro rata* share of the investment management fee at both levels. The Adviser addresses this conflict of interest by waiving investment advisory fees at the principal level.

### **C.      Investing in Securities Recommended to Clients**

The Adviser recognizes that the personal investment transactions of members and employees of the Adviser demand the application of a high code of ethics and will require that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Adviser believes that if investment goals are similar for Clients and for members and employees of the Adviser, it is logical that there be a common ownership of some securities. Therefore, in order to address conflicts of interest, the Adviser may adopt a set of procedures with respect to transactions effected by its officers and employees (hereafter, “**Employees**”) for their “personal accounts.” In order to monitor compliance with its personal trading policy, the Adviser may adopt a quarterly securities transaction reporting system for all of its Employees. (For purposes of the policy, an Employee’s “personal account” generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or

(c) which the Employee controls, including client accounts which the Employee controls and in which the Employee or a member of his/her household has a direct or indirect beneficial interest.

From time to time, trading by the Adviser and its Employees (and certain of their relatives) in particular securities may be restricted in recognition of impending investment decisions on behalf of Clients. If transaction orders for a Client and the Adviser (and/or its Employees and certain of their relatives) are not aggregated, the transaction orders for the Adviser (and/or its Employees and relatives) will be the last orders filled.

The Adviser and its Employees may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such securities is appropriate for Clients. An Employee must adhere to certain procedures when buying or selling a security for a personal account. These procedures will include, among other things: (i) the Employee must confirm that he or she is not in receipt of inside information; (ii) the Employee must seek approval from the Chief Compliance Officer for all trades of securities made for a personal account; and (iii) the Employee must execute all approved trades on the day the approval for such trade is given. If the trade is not executed on such day, the Employee must seek new approval.

**D. Conflicts of Interest Created by Contemporaneous Trading**

See Item 11.C above.

## Item 12 Brokerage Practices

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a Client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

#### 1. Research and Other Soft Dollar Benefits

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("**Section 28(e)**"). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Chief Compliance Officer will periodically review and evaluate the Adviser's soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts. The Adviser does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

The Adviser may participate in "client commission arrangements" pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Adviser excludes from use under these arrangements those products and services that are not eligible under Section 28(e) and applicable regulatory interpretations.

## 2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the Client's interests to receive most favorable execution. To address this conflict of interest, the Adviser will execute client trades through broker-dealers that refer Clients to the Adviser only if it is determined by the Chief Compliance Officer that client trades with such broker-dealers are otherwise consistent with seeking best execution.

## 3. Directed Brokerage

In some instances, because of a prior relationship between a Client and one or more brokers, or for other reasons, a Client may instruct the Adviser to execute some or all securities transactions for its account with or through one or more brokers designated by the Client.

When a Client directs the Adviser to use a specified broker-dealer to execute all or a portion of the Client's securities transactions, the Adviser treats the Client's direction as a decision by the Client to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the Client's account. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the Client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A Client who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the Client. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the Client's portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a Client to direct the Adviser to execute the Client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the Client and, as a result, in some transactions such Client may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The

commissions charged to a Client that directs the Adviser to execute the Client's trades through a specified broker-dealer may in some transactions be materially different than those of Clients that do not direct the execution of their trades. A Client's that direct the Adviser to execute the Client's trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other Clients. Not all advisers require Clients to direct the Adviser to execute client trades with a specific broker-dealer.

## **B. Order Aggregation**

The Adviser often purchases or sells the same security for many Clients contemporaneously (or near the same time) and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously (or near the same time) for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the Client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a Client's account, the Adviser may be precluded from aggregating that Client's transaction with others. In such a case, the Client may pay a higher commission rate and/or receive less favorable prices than Clients who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale *pro rata* among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this may result in a *pro rata* allocation to all participating Clients. The Adviser or its related persons may also participate in an aggregate order.

**Item 13            Review of Accounts**

**A.            Frequency and Nature of Review**

Each client account is reviewed by Mr. Cornell or his designee on a daily basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

**B.            Factors Prompting a Non-Periodic Review of Accounts.**

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular Client, or specific arrangements with particular Clients may trigger reviews of client accounts on other than a periodic basis.

**C.            Content and Frequency of Regular Account Report**

Each Client that is an SMA will receive quarterly statements and trade confirmations from the Client's broker-dealer and will receive quarterly reports from the Adviser in accordance with the Client's agreement with the Adviser. The reports may include a summary of assets, realized and unrealized capital gains and losses, performance measured against an appropriate index, and anticipated and actual income generated by the portfolio. Such reports may be delivered electronically to the Client.

A Fund's investors receive reports from such Fund pursuant to the terms of such Fund's offering memoranda or as otherwise described in the offering document of such Fund.

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

### **A.            Economic Benefits Received from Non-Clients for Providing Services to Clients**

The Adviser may receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its Clients. Please see Item 12 for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

### **B.            Compensation to Non-Supervised Persons for Client Referrals**

The Adviser may make cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective Client with a copy of the Adviser’s Form ADV Part 2A, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with (i) the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and related SEC staff interpretations or (ii) with the laws of the relevant state(s).

**Item 15            Custody**

The Adviser does not hold client funds or securities. An independent institution (a qualified custodian) holds all client funds and securities in safekeeping. The Adviser is deemed to have custody of client assets with respect to the Funds because the Adviser serves as the general partner (or the equivalent). To comply with Rule 206(4)-2 under the Advisers Act, each Fund will be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements of each Fund will be prepared in accordance with generally accepted accounting principles and distributed to the Fund's investors within 120 days of the end of the Fund's fiscal year. Investors should carefully review the audited financial statements of the Fund upon receipt and should compare these statements to any account information provided by the Adviser.



## Item 16 Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to its Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. In certain circumstances, the Adviser may submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows.

Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a *pro rata* basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even Client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Clients and the Client's investment objectives and strategies.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless client consent has been obtained based upon written disclosure to the Client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions are not permitted for benefit plan or other similar accounts that are subject to ERISA.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the Client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

## **Item 17            Voting Client Securities**

The Adviser generally votes proxies on behalf of its SMA Clients and Fund Clients. In that regard, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its Clients. In voting proxies, the Adviser votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors and increases in or reclassification in common stock. The Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its Clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action. The Adviser does not make any qualitative judgment regarding its Clients' investments.

Each Client may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted such Client's proxies by contacting Chief Compliance Officer by telephone at (415) - 573-1123 or by e-mail at *evans@bluewaterlifescienceadvisors.com*.

**Item 18            Financial Information**

**A.           Solicitation of Payments**

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

**B.           Financial Obligations**

There are currently no financial conditions that are reasonably likely to impair the Adviser's ability to meet contractual commitments to Clients.

**C.           Bankruptcy Petitions**

The Adviser currently is not subject to any bankruptcy petitions at any time during the past ten years.