

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**BLUE SEA CAPITAL LLC**

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**March 30, 2018**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Blue Sea Capital LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (561) 655-8400. 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 authority.**

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

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

## **MATERIAL CHANGES**

Since the last version of this Brochure dated March 28, 2017, this annual amendment of the Brochure reflects an update to Blue Sea Capital LLC's assets under management and the description of the business practices of Blue Sea Capital LLC and its affiliates.

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## ADVISORY BUSINESS

Blue Sea Capital LLC (the “**Management Company**” and together with its affiliated entities, “**Blue Sea Capital**”), the registered investment adviser, is a Delaware limited liability company. The Management Company commenced operations in October 2012.

Blue Sea Capital Management I LP (“**General Partner I**”), a Delaware limited partnership and the general partner of Fund I (defined below), and any other future general partner of a Fund (as defined below) (each, a “**General Partner**” and together with the Management Company, the “**Advisers**”) are, or will be, subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Management Company and each General Partner, which together operate as a single advisory business. No General Partner has personnel other than those persons associated with the Management Company.

The Advisers provide discretionary investment advisory services to their clients, which consist of investment funds privately offered to qualified investors in the United States and elsewhere (each, a “**Fund**,” and together with any future private investment fund for which the Advisers provide investment advisory services, the “**Funds**”), including Blue Sea Capital Fund I LP, a Delaware limited partnership (“**Fund I**”). The Funds are expected to invest through negotiated transactions in operating companies, generally referred to herein as “portfolio companies.” The Advisers’ investment advisory services to Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals (the “**Principals**”) or other personnel of Blue Sea Capital generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested. The Advisers also manage Blue Sea Capital Executive Fund I LP, a Delaware limited partnership (“**Executive Fund I**”), and may manage certain Co-Invest Funds (as defined below) (together with the Funds and Executive Fund I, the “**Private Investment Funds**”).

Blue Sea Capital’s advisory services for the Funds are detailed in the applicable private placement memorandum or other offering document (each, a “**Memorandum**”) and limited partnership agreement (or similar governing document) (each, a “**Partnership Agreement**” and together with the Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. Investors in the Funds participate in the overall investment program for the applicable Fund, but investors in certain Funds may be excused from a particular investment due to legal, regulatory or other applicable constraints or other agreed-upon reasons pursuant to the applicable Partnership Agreement. The Funds or the Advisers generally enter into side letters or similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under or altering or supplementing the terms of a Fund’s Governing Documents, including provisions relating to fees and distributions.

Additionally, the Governing Documents permit the Advisers to provide (or agree to provide) co-investment opportunities in addition to Executive Fund I (including, without limitation, the opportunity to participate in co-investment vehicles designed to co-invest alongside certain other Funds (each, a “**Co-Invest Fund**”) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Blue Sea Capital’s personnel and/or certain other persons associated with Blue Sea Capital and/or its affiliates.

With respect to co-investments offered outside of Executive Fund I, such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or Co-Invest Fund may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or Co-Invest Fund generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and, in the respective General Partner’s sole discretion, the General Partner is authorized to charge interest on the purchase to the co-investor or Co-Invest Fund, and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

As set forth in the applicable Partnership Agreements, Executive Fund I is required to invest alongside Fund I in each portfolio investment, and the percentage of Executive Fund I’s participation in each such investment is generally either pre-determined at the outset of each year, or is based on available capital commitments. Any such co-investment by Executive Fund I occurs at the same time as the investment by Fund I, and Fund I does not engage in post-closing sell-downs or transfers with respect to co-investments with Executive Fund I.

As of December 31, 2017, the Advisers had \$369.4 million in assets under management. The Management Company is managed by a board whose members are James R. Davis, Jr. and Richard J. Wandoff. No limited partner of the Management Company owns 25% or more of the Management Company.

## **FEES AND COMPENSATION**

In general, the Advisers receive a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services they provide to clients. Blue Sea Capital or persons affiliated with it may receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of the Funds and such additional compensation may offset in whole or in part the Management Fees otherwise payable to Blue Sea Capital. In addition, in certain circumstances Blue Sea Capital receives compensation for management or other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in the Private Investment Funds also bear certain fund expenses, as described below. The following is a general description of fees, compensation, and expenses of the Private Investment Funds. Differences may exist among Private Investment Funds, and certain Private Investment Funds may not charge certain fees, compensation, or expenses that other Private Investment Funds charge. For

example, the co-investors and Co-Invest Funds may not pay any fees or carried interest. As noted below, Executive Fund I does not pay a Management Fee or carried interest. Prospective and existing Private Investment Fund investors should review the applicable Private Investment Fund's Governing Documents for details regarding its fees, compensation and expenses.

## **Management Fees**

During a Fund's investment period, such Fund will generally pay the General Partner an annual Management Fee, payable quarterly in advance, equal to 2% of its aggregate commitments until the fiscal quarter after (i) the Fund reaches the sixth anniversary of its effective date or (ii) if earlier, the date Blue Sea Capital begins receiving a Management Fee from a substantially similar Fund or six months after the date of the permanent expiration or termination of the Fund's investment period as a result of the occurrence of certain events stated in the Fund's Governing Documents. For each quarterly period thereafter, the annual Management Fee will generally be equal to 2% of the Fund's aggregate investment contributions, subject to certain reductions as determined pursuant to the Governing Documents.

In addition, with respect to Fund I, the Management Fee generally will be reduced by 80% of the Fund's share of: (i) any directors' fees, consulting fees or monitoring fees earned by Blue Sea Capital from portfolio companies; (ii) any transaction fees paid by portfolio companies to Fund I's General Partner; and (iii) any break-up fees from transactions not completed that are paid to Fund I's General Partner. However, as described more fully in the Governing Documents of each Fund, Blue Sea Capital and/or certain of its personnel may provide services to (or with respect to) certain portfolio companies in which one or more Funds may invest. In connection with such services, Blue Sea Capital and/or such personnel may receive fees and/or other compensation from such portfolio companies, and such compensation may not offset the Management Fee.

As a matter of practice, the Advisers are typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees on behalf of or with respect to third-party co-investors reduces the Management Fee payable by Fund I (in the amount set forth in the preceding paragraph and subject to reduction for reimbursements of certain expenses).

As further described below, it is the Advisers' practice to retain certain third party advisors and/or consultants ("**Third Party Consultants**"), including certain advisors and/or consultants that may be retained by Blue Sea Capital ("**Executive Advisors**") to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such Third Party Consultants and Executive Advisors generally receive compensation and other amounts described herein, but no such amounts will result in additional offsets to the Management Fee.

Each General Partner generally reserves the right to waive all or a portion of any future installment of the Management Fee. Any waived portion of a Management Fee installment shall reduce the amount of capital contributions a General Partner and its affiliates would otherwise be required to contribute after the date such waived amount would otherwise be due in return for a profits interest in the applicable Fund. Waived or reduced Management Fees are not subject to

the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant.

The Management Fee with respect to a Fund will generally commence as of the effective date of such Fund based on aggregate commitments, regardless of when a limited partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the respective General Partner's discretion, from drawdowns that will reduce unfunded commitments. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

### **Carried Interest**

Each General Partner generally is entitled to receive a carried interest with respect to each Fund equal to 20% of all realized profits subject to an 8% annually compounded preferred return and a related General Partner catch-up provision, as more fully described in the applicable Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at the end of a Fund's life and as of any earlier dates set forth in the Governing Documents if the respective General Partner has received excess cumulative distributions.

### **Other Information**

Blue Sea Capital is permitted to exempt certain investors in the Private Investment Funds, including any Blue Sea Capital person, from payment of all or a portion of Management Fees and/or carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, through Executive Fund I or a Co-Invest Fund or as otherwise permitted by applicable Fund Governing Documents. Blue Sea Capital may provide (or agree to provide) certain investors or other persons, including Blue Sea Capital's personnel, certain other persons associated with Blue Sea Capital and/or its affiliates and/or certain unaffiliated third parties (to the extent not prohibited by the applicable Partnership Agreement) the opportunity to participate in co-investment opportunities through Executive Fund I, which is not subject to Management Fees or carried interest. In instances where a Blue Sea Capital professional or its affiliate invests in a Private Investment Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and carried interest with respect to such Private Investment Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

Principals or other current or former employees of Blue Sea Capital receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the General Partner.

Each Fund generally invests on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Governing

Documents, over the Fund's term, and investors generally are not permitted to withdraw or redeem interests in the Fund.

In addition to the Management Fee and carried interest payable to the General Partners, if applicable, each Fund bears certain expenses, as set forth more fully in its Governing Documents. Typically, each Fund bears all organizational expenses, subject to any applicable limitations in its Governing Documents, and costs, expenses, liabilities and obligations of the Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including: all costs and expenses attributable to structuring, organizing, acquiring, managing, operating, holding, winding up, liquidating, dissolving and disposing of Fund investments (including interest on money borrowed, registration expenses and brokerage, finders', financing, appraisal, custodial and other fees and alternative investment vehicle costs and expenses) or relating to investment and disposition opportunities for the Fund not consummated, including such expenses relating to transactions that have been offered to co-investors ("**Broken Deal Expenses**"); legal, accounting, administration, auditing, insurance, travel (including meal and entertainment expenses), litigation and indemnification costs and expenses, judgments and settlements, consulting, finders', financing, appraisal, filing, reporting and other fees and expenses (including extraordinary expenses, expenses associated with the Fund's financial statements, tax returns and Schedule K-1s or any other Fund-related reporting or filing); advisory board expenses; out-of-pocket expenses incurred in connection with the annual limited partners' meeting and related meal and entertainment expenses and any other periodic meeting or conference with one or more limited partners; and any taxes, fees and other governmental charges levied against the Fund. To the extent brokerage fees are incurred, they will be incurred in accordance with the practices set forth in "Brokerage Practices."

As described above, in certain circumstances Blue Sea Capital is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Blue Sea Capital's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a Co-Invest Fund is formed or for Executive Fund I, such Co-Invest Fund and Executive Fund I will generally bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a Co-Invest Fund, Executive Fund I or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses and expenses related to closed transactions, subject to terms agreed to with such co-investors.

Additionally, as further described herein, it is the Advisers' practice to retain certain Third Party Consultants and Executive Advisors to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Third Party Consultants and Executive Advisors generally provide services in relation to the identification, acquisition, holding, integration, management, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain



circumstances, these services also include serving in management, board or policy-making positions for portfolio companies. Third Party Consultants and Executive Advisors receive compensation, including, but not limited to board fees, committee fees, service fees including with respect to integration services, transaction fees, cash fees, retainers, a profits or equity interest in a portfolio company or one or more Funds or General Partners, remuneration from the Advisers and/or the Funds or affiliates or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Third Party Consultants and/or Executive Advisors, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Third Party Consultants and Executive Advisors also generally will be reimbursed for certain travel and other costs in connection with their services. Executive Advisors may enter into an agreement for services with Blue Sea Capital or directly with the Funds and/or portfolio companies. As described above, no amounts received by Third Party Consultants or Executive Advisors will offset the Management Fee. The use of Executive Advisors subjects the Advisers to conflicts of interest, as discussed under “Conflicts of Interest,” below.

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

As described under “Fees and Compensation,” each General Partner typically receives a carried interest allocation on certain realized profits in a Fund. A carried interest allocation represents an investment adviser’s compensation based on a percentage of net profits of the funds it manages. Executive Fund I is not charged a carried interest and Blue Sea Capital may also advise certain Co-Invest Funds that are not charged a carried interest. While this practice could present a conflict of interest, Blue Sea Capital does not believe it creates an actual conflict of interest since Executive Fund I and Co-Invest Funds are designed to invest alongside, not compete with, other Funds, and are typically subject to various limitations set forth in the applicable Governing Documents.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Blue Sea Capital generally considers performance-based compensation to better align its interests with those of its investors.

#### **TYPES OF CLIENTS**

The Advisers provides investment advice to the Funds. Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in the Funds may include high net worth individuals, institutional investors, such as banks or thrift institutions, insurance companies, corporations, pension and profit-sharing plans, trusts or estates, charitable organizations or other investment or business entities, university endowments, sovereign wealth funds, family offices, Third Party Consultants, Executive Advisors and service providers or, directly or indirectly, Blue Sea Capital’s Principals or other employees or their family members.

The Funds may include alternative investment vehicles established from time to time in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Funds typically have a minimum investment amount of \$5 million for third-party investors. Generally, investors are (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) for certain Funds, either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act. Blue Sea Capital may waive such minimum investment amounts and qualification requirements.

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

### **Investment and Operating Strategy**

The following is a summary of the investment strategies and methods of analysis generally employed by Blue Sea Capital on behalf of the Funds. More detailed descriptions of each Fund’s investment strategies and methods of analysis are included in its Memorandum.

Blue Sea Capital intends to act primarily as the lead sponsor in making equity and equity-related investments in lower middle market companies headquartered in the United States, with a specific focus on acquiring businesses in sectors in which its team has deep collective prior experience: aerospace & defense, healthcare and industrial growth. Blue Sea Capital’s investment strategy includes:

- Targeting differentiated but under-developed, entrepreneurial, lower middle market companies positioned to benefit from Blue Sea Capital’s strong sector and hands-on operating experience;
- Pursuing attractive, fragmented, defensive growth verticals where its investment professionals maintain deep domain expertise, close relationships with transaction sources and established networks of industry executives; and
- Creating fundamental value through an execution-oriented process based upon building better companies through organizational enhancements, growth initiatives and operational improvements that are implemented in partnership with management.

### **Risks of Investment**

The Funds and their investors bear the risk of loss that Blue Sea Capital’s investment strategy entails. There can be no assurance that the Advisers will meet any Fund’s investment objectives or otherwise be able to successfully carry out its investment program or that there will be any return of capital. A prospective investor should only invest in a Fund as part of an overall investment strategy and only if such investor is able to withstand a total loss of its investment. Investors should not construe the performance of earlier investments by the Advisers or their affiliates as providing any assurances regarding the future performance of any Fund. The risks

typically involved with the Advisers' investment strategy and an investment in each Fund are generally described below. However, investors should review the applicable Fund's Memorandum for information regarding risks specific to that Fund.

*Business Risks.* The Fund's investment portfolio may consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of the Principals' prior investments is not necessarily indicative of the Fund's future results. While the Advisers intend for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Fund's investment once made.

*Concentration of Investments.* The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners will be required to bear Management Fees through the Fund during the investment period based on the entire amount of the limited partners' commitments to the Fund, and other expenses as set forth in the applicable Governing Documents.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for the Fund through the investment strategy and methods described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). A General Partner may pursue investments outside of the industries and sectors in which Blue Sea Capital has previously made investments or has internal operational experience.

*Healthcare Regulation, Reimbursement and Reform.* Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent

upon various government or private insurance reimbursement programs. While the Fund intends to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which the Fund invests. Recent legislative changes have had, and will likely continue to have, a significant impact on the healthcare industry. In addition, various legislative proposals related to the healthcare industry are introduced from time to time at the United States federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry.

*Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including any Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

*Leveraged Investments.* The Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which are at or near historic lows) and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be tight at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise become liable thereof, and in such situations, it is not expected that the Fund would be compensated for providing such guaranty or exposure to such liability. The use of leverage by the Fund also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The Fund may incur leverage on a joint and several basis with

one or more other Funds and entities managed by Blue Sea Capital or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Fund's investors and the investors' contributions may be required to be made directly to the lenders instead of the Fund.

*Limited Transferability of Fund Interests.* There is no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of the Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

*Reliance on the Advisers and Portfolio Company Management.* Control over the operation of the Fund will be vested with the Advisers, and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Principals may, in the future, manage other investment funds besides the Funds and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Principals. Limited partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of the Advisers. In addition, certain changes in the Advisers or circumstances relating to the Advisers may have an adverse effect on the Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the Advisers will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day to day basis. Although the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

*Limited Operating History.* While the Principals have previous experience making and managing investments similar to those contemplated by the Fund, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of the Principals. In addition, the Fund's investments may differ from previous investments made by

the Principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure, and holding period.

*Projections.* Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by each company's management, with adjustments to such projections by Blue Sea Capital in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Conflicting Investor Interests.* Limited partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the Advisers regarding an investment that may be more beneficial to one limited partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Advisers generally will consider the investment and tax objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that the Fund will make follow on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under the applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for the Fund to increase its participation in a successful portfolio company or the dilution of the Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the Partners. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of

private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Significant Adverse Consequences for Default.* The Partnership Agreement provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting limited partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

*Dilution.* Limited partners admitted to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing limited partners in such investments. Although any such new limited partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

*Public Company Holdings.* The Fund's investment portfolio may contain debt and/or equity securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment.

*Material Non-Public Information.* As a result of the operations of Blue Sea Capital and its affiliates, Blue Sea Capital frequently comes into possession of confidential or material non-public information. Therefore, Blue Sea Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by the Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Blue Sea Capital's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Hedging Arrangements; Related Regulations.* The General Partner may (but is not obligated to) endeavor to manage the Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although Blue Sea Capital intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Director Liability.* The Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend



a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

*Market Conditions.* Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates, could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Ability to Finance and Consummate Investments.* The Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that marketplace events affect the ability to obtain favorable financing for its investments, such events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives, or on the Principals, employees or other individuals associated with the Fund or the Advisers, which could make it more difficult for Blue Sea Capital to incentivize, attract and retain individuals to perform services for the Fund.

*Additional Fees and Compensation.* The Advisers and their affiliates likely will perform management, financial advisory and other services for, and receive fees, including monitoring, director and transaction fees, from, portfolio companies, which fees may be in addition to Management Fees and carried interest paid by the Fund. The Advisers may determine or strongly influence the amount of such fees that they or their affiliates receive, and the amount of

such fees may be substantial. Such fees received by the Advisers and their affiliates may create a conflict with respect to the Fund's interests if such fees are not sufficiently supported by benefits received by the Fund. Certain decisions made by the Advisers may be influenced by this conflict of interest, including decisions with respect to the amount of such fees. In addressing such conflicts, the Advisers seek to act in a fair and equitable manner consistent with their fiduciary duties to the Fund. In addition, the Advisers believe that the offset of such fees against the Management Fee will tend to reduce such conflicts.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Blue Sea Capital or one of its service providers holding its financial or investor data, Blue Sea Capital, its affiliates or the Funds may also be at risk of loss.

As a general matter, co-investors, including those that participate through Executive Fund I or a Co-Invest Fund, will be subject to the same types of risks as investors in the other Private Investment Funds.

## **Conflicts of Interest**

Blue Sea Capital and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Private Investment Funds, and providing transaction-related, investment advisory,

management and other services to Private Investment Funds and portfolio companies. Blue Sea Capital will devote such time, personnel and internal resources as it determines are necessary to conduct the business affairs of the Private Investment Funds in an appropriate manner, taking into account the requirements of the relevant Partnership Agreement, although the Private Investment Funds and their respective investments will place varying levels of demand on Blue Sea Capital's resources over time. In the ordinary course of Blue Sea Capital conducting its activities, the interests of a Private Investment Fund may conflict with the interests of Blue Sea Capital, one or more other Private Investment Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, Blue Sea Capital will determine all matters relating to structuring transactions and Private Investment Fund operations using its judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the investment period of the most recently formed Fund, Blue Sea Capital will pursue all appropriate investment opportunities exclusively through such Fund, as described and subject to any exceptions in the applicable Governing Documents. However, Blue Sea Capital expects in the future to manage other investment funds and investments similar to those in which the Funds invest, and may direct certain relevant investment opportunities to those investment funds and investments. Blue Sea Capital's investment staff will continue to manage and monitor such investment funds and investments. Blue Sea Capital believes that the significant investment of Blue Sea Capital and the Principals in a Fund, as well as their interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of Blue Sea Capital with the interest of the partners of such Fund, although Blue Sea Capital and the Principals may have economic interests in such other investment funds and investments as well and may receive management fees and carried interests relating to these interests. Such other investment funds and investments that Blue Sea Capital may control or manage may compete with a Fund or companies acquired by a Fund. Following the investment period for a particular Fund, Blue Sea Capital and the Principals may, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, Blue Sea Capital may be presented with investment opportunities that would be suitable for more than one of the Funds and/or other investment vehicles operated by advisory affiliates of Blue Sea Capital. In determining which investment vehicles should participate in such investment opportunities, Blue Sea Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one client of Blue Sea Capital in a portfolio company may also raise the risk of using assets of a client of Blue Sea Capital to support positions taken by other clients of Blue Sea Capital.

Blue Sea Capital generally assesses whether an investment opportunity is appropriate for Fund I based on the Fund's Partnership Agreement, investment objectives, strategies, life cycle, structure and other relevant factors. Blue Sea Capital will determine if the amount of an investment opportunity in which Fund I will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Fund's Partnership Agreement, Side Letters and Blue Sea Capital's procedures regarding allocation. Blue Sea Capital's procedures permit it to take into consideration a variety of factors in making such determinations, including but not

limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Blue Sea Capital's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Blue Sea Capital's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether Blue Sea Capital believes that allocating investment opportunities to an investor or other person will help establish, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Fund(s) or Blue Sea Capital. Blue Sea Capital may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by Blue Sea Capital in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other Blue Sea Capital investors. When and to the extent that employees and related persons of Blue Sea Capital and its affiliates make capital investments in or alongside certain Private Investment Funds, Blue Sea Capital and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Private Investment Fund's return from a transaction would be equal to and not less than another Private Investment Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Blue Sea Capital may, in its sole discretion, provide or commit to provide co-investment opportunities to one or more limited partners of a Fund and/or other persons. Co-Invest Funds may be established in order to invest alongside one or more other Funds, and Blue Sea Capital may have limited discretion to invest the assets of these Co-Invest Funds independent of the limitations set forth in the Governing Documents of such Co-Invest Funds and associated Fund. Participation in co-investment opportunities or Co-Invest Funds may be limited, including as may be set forth in a Fund's Governing Documents.

Blue Sea Capital's allocation of investment opportunities may not and often will not, result in proportional allocations among the Private Investment Funds or other persons, and such allocations may be more or less advantageous to some Private Investment Funds or other persons, relative to others. While Blue Sea Capital will allocate investment opportunities in a manner that it believes is fair and equitable to the Funds under the circumstances over time and considering relevant factors, there can be no assurance that a Private Investment Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made,

will be as favorable as they would be if the conflicts of interest to which Blue Sea Capital may be subject, as discussed herein, did not exist.

In certain cases, Blue Sea Capital will have opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Blue Sea Capital will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements of the Funds, Blue Sea Capital will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Blue Sea Capital may be faced with a variety of potential conflicts of interest.

As a general matter, expenses typically will be allocated among all relevant Private Investment Funds eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Blue Sea Capital or its affiliates using their judgment, considering such factors as they deem relevant, in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate *pro rata* based on number of Private Investment Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size or a Private Investment Fund's committed capital and/or contribution to a given portfolio investment. The Private Investment Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Private Investment Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, Blue Sea Capital and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Blue Sea Capital personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Blue Sea Capital and/or its affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to Blue Sea Capital.

Additionally, a portfolio company typically will reimburse Blue Sea Capital or service providers retained at Blue Sea Capital's discretion for expenses (including without limitation travel expenses) incurred by Blue Sea Capital or such service providers in connection with their performance of services for such portfolio company. This subjects Blue Sea Capital and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Blue Sea Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their

effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Blue Sea Capital or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

Blue Sea Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) Blue Sea Capital or a related person of Blue Sea Capital (which may include a portfolio company of such Fund), (ii) an entity with which Blue Sea Capital or its affiliates or current or former members of their personnel has a relationship or from which Blue Sea Capital or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, Blue Sea Capital may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects Blue Sea Capital to conflicts of interest, because although Blue Sea Capital selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Blue Sea Capital may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Blue Sea Capital, because of such belief or for other reasons (including whether the use of such persons could establish, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Blue Sea Capital), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not Blue Sea Capital has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, from time to time Blue Sea Capital may cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by Blue Sea Capital, co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities, including co-investors, or in contexts where a portfolio company owned by a Fund and its parallel investing entities is acquired by a portfolio company acquired by another Fund. Any such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of portfolio companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. Blue Sea Capital intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each client under the circumstances, including a consideration of the potential present and future benefits.

Blue Sea Capital and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Blue Sea Capital and/or its affiliates; conversely, former personnel or executives of Blue Sea Capital and/or its affiliates may serve in significant management roles at

portfolio companies or service providers recommended by Blue Sea Capital. Similarly, Blue Sea Capital, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Blue Sea Capital and/or its affiliates, and/or the Funds or other investment vehicles they advise. Blue Sea Capital may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Blue Sea Capital information about markets and industries in which Blue Sea Capital operates (or is contemplating operations) or will provide other services that are beneficial to Blue Sea Capital. Blue Sea Capital may have a conflict of interest in making such recommendations, in that Blue Sea Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

Blue Sea Capital, its affiliates, and equity holders, officers, principals and employees of Blue Sea Capital and its affiliates may buy or sell securities or other instruments that Blue Sea Capital has recommended to a Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by a Fund. Such transactions are subject to any restrictions in the Fund's Partnership Agreements and any policies and procedures set forth in Blue Sea Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Blue Sea Capital have, and are expected to continue to have, capital investments in or alongside certain Private Investment Funds, or in prospective portfolio companies directly or indirectly, in each case subject to limitations set forth in the Governing Documents, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Blue Sea Capital, are reimbursed by a Fund and/or its portfolio companies, Blue Sea Capital will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, Blue Sea Capital and the portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to Third Party Consultants and Executive Advisors (including consultants introduced or arranged by Blue Sea Capital and/or its affiliates that may regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Executive Advisors may make use of Blue Sea Capital resources or otherwise be associated with Blue Sea Capital. In certain circumstances, Blue Sea Capital or its affiliates may agree to pay Executive Advisors and/or reimburse Executive Advisors' expenses to the extent that fixed retainers, expenses and other compensation

is not paid and/or reimbursed by the Funds and/or portfolio companies. Executive Advisors generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any fund, as described herein. The use of such persons and the allocation of compensation paid to them by Blue Sea Capital, its affiliates and/or the portfolio companies may subject Blue Sea Capital and/or its affiliates to potential conflicts of interest. Blue Sea Capital believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Executive Advisors is lower than market rates for the services provided and/or if the quality of the services of the Executive Advisors make a greater contribution to the success of the portfolio company. Although Blue Sea Capital seeks to retain Executive Advisors with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. Blue Sea Capital also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Blue Sea Capital believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only service providers that it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because the General Partners' carried interest is based on a percentage of net realized profits, it may create an incentive for Blue Sea Capital to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when the Advisers may not otherwise have done so.

The Funds or the Advisers may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

From time to time Blue Sea Capital, its affiliates and personnel and persons selected by them expect to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than Blue Sea Capital and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, Blue Sea Capital believes that the potential for conflicts of interest relating to such discounts is mitigated. Blue Sea Capital, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

Any of these situations subjects Blue Sea Capital and/or its affiliates to potential conflicts of interest. Blue Sea Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Blue Sea Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate



investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, Blue Sea Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Blue Sea Capital consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Blue Sea Capital and its management persons have not been subject to any legal or disciplinary events required to be discussed in this Brochure.

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

As described under “Advisory Business” above, the Management Company is affiliated with General Partner I and, in the future, may be affiliated with additional General Partners. Each General Partner is, or will be, registered with the SEC under the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. The Advisers operate as a single advisory business and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Blue Sea Capital has adopted a Code of Ethics and Securities Trading Policy (the “Code”), which sets forth standards of conduct that are expected of the Principals and Blue Sea Capital’s other employees and addresses conflicts that may arise from personal securities trading. The Code requires Blue Sea Capital personnel to:

- report their personal securities holdings and transactions;
- pre-clear any proposed purchase in an initial public offering or limited offering;
- pre-clear any securities transaction involving a security on the restricted list; and
- comply with the policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any client or prospective client upon request to Blue Sea Capital’s Chief Compliance Officer at (561) 655-8400. Personal securities transactions by Blue Sea Capital personnel are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

Blue Sea Capital and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Blue Sea Capital and its affiliated persons would be prohibited from improperly disclosing

or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Blue Sea Capital.

Accordingly, should Blue Sea Capital or any of its affiliated persons come into possession of material non-public or other confidential information with respect to any public company, Blue Sea Capital would be prohibited from communicating such information to clients, and Blue Sea Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Blue Sea Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and other employees of Blue Sea Capital and its affiliates may directly or indirectly own an interest in one or more Private Investment Funds. To the extent that Co-Invest Funds exist, such vehicles will invest in one or more of the same portfolio companies as the Funds.

The Funds may invest together with other private investment funds advised by an affiliated adviser of Blue Sea Capital in the manner set forth in the applicable Governing Documents. Blue Sea Capital will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations, the underlying documents for the relevant Fund and its investment allocation policy.

Blue Sea Capital and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles or other persons that may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

#### **BROKERAGE PRACTICES**

Blue Sea Capital focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, Blue Sea Capital may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Blue Sea Capital does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If Blue Sea Capital sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Blue Sea Capital. In such event, Blue Sea Capital will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Blue Sea Capital may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

Blue Sea Capital has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although Blue Sea Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with Blue Sea Capital seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Blue Sea Capital generally does not make use of such services at the current time and has not made use of such services since its inception. As a general matter, research provided by these brokers would be used to service all of Blue Sea Capital’s Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by Blue Sea Capital, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that Blue Sea Capital allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds’ interest in receiving most favorable execution.

Blue Sea Capital does not anticipate engaging in significant public securities transactions; however, to the extent that Blue Sea Capital engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, Blue Sea Capital may also purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Blue Sea Capital may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund is favored over any other Fund. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a pro rata basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Fund. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided they are fair and equitable to the Funds over time.

In Blue Sea Capital’s private company securities transactions on behalf of the Funds, Blue Sea Capital may retain one or more broker-dealers or investment banks, the costs of which

will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, Blue Sea Capital may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although Blue Sea Capital generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

## **REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Blue Sea Capital closely monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is managed in accordance with its stated objectives.

Blue Sea Capital generally will provide to Fund limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company quarterly.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Blue Sea Capital and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive fees from these companies in connection with such services. As described in the applicable Fund's Governing Documents, while certain compensation may, in many circumstances, offset a portion of the Management Fees paid by a Fund, amounts received by Blue Sea Capital or a Blue Sea Capital person from a portfolio company as reimbursement for expenses, as payment for services provided in the ordinary course of business to such portfolio company or as compensation for services provided by such person as an employee of or in a similar capacity for such portfolio company or any of its subsidiaries generally do not offset a Fund's Management Fee.

From time to time, Blue Sea Capital may enter into solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees and expenses payable to any such placement agents will generally be borne by the Advisers directly or indirectly through an offset against the applicable Fund's Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s). In connection with Fund I, the Advisers retained Lazard Frères & Co. LLC ("**Lazard**"), a U.S. registered broker-dealer, to solicit investors for Fund I. As compensation for its efforts, Lazard is entitled to a fee based on a percentage of Fund I's commitments.

## **CUSTODY**

As required by the Advisers Act, Blue Sea Capital will maintain accounts, either in the Fund's name or in an Adviser's name for the benefit of the Fund, with one or more qualified custodians

to hold funds and/or securities on behalf of each Fund. JPMorgan Chase Bank, NA serves as the qualified custodian for Fund I and Executive Fund I.

### **INVESTMENT DISCRETION**

Blue Sea Capital has discretionary authority to manage investments on behalf of the Funds. As a general policy, Blue Sea Capital does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Blue Sea Capital generally may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other agreed upon reasons. Blue Sea Capital assumes this discretionary authority pursuant to the terms of the Governing Documents.

### **VOTING CLIENT SECURITIES**

Blue Sea Capital has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for a Fund's portfolio investments. The Proxy Policy seeks to ensure that Blue Sea Capital votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Blue Sea Capital generally believes its interests are aligned with those of a Fund's investors, for example, through the principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Blue Sea Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Blue Sea Capital's vote in a particular solicitation. Blue Sea Capital does not consider service on portfolio company boards by Blue Sea Capital personnel or Blue Sea Capital's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by Blue Sea Capital when voting proxies on behalf of a Fund. A client or prospective client that would like a copy of Blue Sea Capital's complete Proxy Policy or information regarding how Blue Sea Capital voted proxies for particular portfolio companies should contact Blue Sea Capital's Chief Compliance Officer at (561) 655-8400, and it will be provided at no charge.

### **FINANCIAL INFORMATION**

Blue Sea Capital does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.