

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

**BLUE SEA CAPITAL LLC**

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**March 29, 2021**

**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 25, 2020, 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.

The following general partner entities are affiliated with the Management Company:

- Blue Sea Capital Management I LP (“**General Partner I**”), a Delaware limited partnership; and
- Blue Sea Capital Management II LP, a Delaware limited partnership (“**General Partner II**,” and together with General Partner I and any other future general partner of a Fund (as defined below), each a “**General Partner**,” and collectively, the “**General Partners**,” and together with the Management Company, each an “**Adviser**,” and collectively, the “**Advisers**”).

Each of the General Partners is 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.

Blue Sea Capital provides discretionary investment advisory services solely to its Private Investment Fund (as defined below) clients, and references throughout this Brochure to “clients” and to Blue Sea Capital’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Advisers’ clients include investment funds privately offered to qualified investors in the United States and elsewhere (each, a “**Fund**,” and collectively 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**”) and Blue Sea Capital Fund II LP, a Delaware limited partnership (“**Fund II**”). 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 the 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**”), Blue Sea Capital Executive Fund II, LP, a Delaware limited partnership (“**Executive Fund II**,” and together with Executive Fund I, the “**Executive Funds**”), and may manage certain Co-Invest Funds (as defined below) (collectively with the Funds, Executive Fund I and Executive Fund II, the “**Private Investment Funds**”).

Blue Sea Capital's advisory services for the Funds are detailed in the relevant private placement memorandum or other offering documents (each, a "**Memorandum**") and limited partnership agreement (or similar governing document) of the Funds (each, a "**Partnership Agreement**") and, together with any relevant 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 in certain circumstances are excused from a particular investment due to legal, regulatory or other applicable constraints or other agreed-upon circumstances pursuant to the Governing Documents; such arrangements generally do not and will not create an adviser-client relationship between Blue Sea Capital and any investor. 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 the Governing Documents with respect to such investor, including economic and other terms.

Additionally, from time to time and as permitted by the Governing Documents, the Advisers expect to provide (or agree to provide) co-investment opportunities in addition to the Executive Funds (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 the Executive Funds, 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 (including a co-investing Fund) or Co-Invest Fund purchases 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), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. 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 reserves the right to charge interest on the purchase to the co-investor or Co-Invest Fund (or otherwise equitably to adjust the purchase price under certain conditions), 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 Governing Documents, Executive Fund I and Executive Fund II are required to invest alongside Fund I and Fund II, respectively, in each portfolio investment, and the percentage of each Executive Fund'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 the Executive Funds generally occurs on the same terms as the investment by the relevant Fund, and the Funds do not engage in post-closing sell-downs or transfers with respect to co-investments with the Executive Funds, except to the extent required under the Governing Documents in connection with the final closing of a Fund.

As of December 31, 2020, the Blue Sea Capital had \$894,980,695 in assets under management. The Management Company is managed by a board whose members are James R. Davis, Jr. and Richard J. Wandoff. No member 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 their clients. Blue Sea Capital or persons affiliated with it 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 will offset in whole or in part the Management Fees otherwise payable to Blue Sea Capital to the extent provided by the Governing Documents. 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. The Private Investment Funds have varying fees, compensation and other expenses, and certain Private Investment Funds do not charge certain fees, compensation, or expenses that other Private Investment Funds charge. For example, as noted below, the Executive Funds do not pay a Management Fee or carried interest. Prospective and existing Private Investment Fund investors should review the Governing Documents for details regarding fees, compensation and expenses.

### **Management Fees**

During a Fund’s investment period, such Fund generally will pay the General Partner an annual Management Fee, payable quarterly in advance, equal to 2% of its aggregate commitments until the fiscal quarter after the earlier of (i) the Fund reaches the sixth anniversary of its effective date, (ii) the date Blue Sea Capital begins receiving a Management Fee from a substantially similar Fund, and (iii) 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 Governing Documents. For each quarterly period thereafter, the annual Management Fee generally will 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 and Fund II, the Management Fee generally will be reduced by 80% of the Fund’s share of: (i) any directors’ fees, consulting fees or monitoring fees (including initial services and integration services fees) earned by Blue Sea Capital from portfolio companies; (ii) any transaction fees paid by portfolio companies to Fund I’s and/or Fund II’s General Partner; and (iii) any break-up or topping fees from transactions not completed that are paid to Fund I’s and/or Fund II’s General Partner. The remaining amount of such fees will be retained by Blue Sea Capital. However, as described more fully in the Governing Documents, Blue Sea Capital and/or certain of its personnel are expected to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. In connection with such services, Blue Sea Capital and/or such personnel are expected to receive fees and/or other compensation from such portfolio companies, and no such compensation will offset or reduce 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, as well as other fees relating to the structuring and administration of co-investment arrangements. The receipt of such fees on behalf of or with respect to third-party co-investors does not offset or reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to its allocable portion on a fully diluted basis of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by Blue Sea Capital, third parties, portfolio company management or employees and/or others), which has the potential to be significant. In certain circumstances, the Advisers expect that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such fees from a particular investment, and, in such cases, the above-described offset percentage would be applied after excluding any amounts paid to such persons.

As further described below and in the Governing Documents, it is the Advisers' practice to use or 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 from the relevant portfolio companies or Funds to which they provide services, but no such amounts will offset or reduce the Management Fee. For the avoidance of doubt, Blue Sea Capital also will not offset against the Management Fee or any compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

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. Due to waived or reduced Management Fees by the General Partners and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

The Management Fee with respect to a Fund generally will 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 a *pro rata* basis according to the actual number of days in such period. Where the Governing Documents calculate the Management Fee based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Governing Documents. As a general matter, Management Fees will be payable during the term extensions unless otherwise agreed with investors in the relevant Fund.

## **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 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.

It is expected that any future Funds will have a similar fee structure.

## **Other Information**

Blue Sea Capital reserves the right to exempt certain investors in the Private Investment Funds (such as "friends and family" of Blue Sea Capital or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors), including any Blue Sea Capital person, from payment of all or a portion of Management Fees and/or carried interest. The General Partners reserve the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, through the Executive Funds or a Co-Invest Fund or as otherwise permitted by the Governing Documents. Blue Sea Capital expects to 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 Governing Documents) the opportunity to participate in co-investment opportunities through an Executive Fund or a Co-Invest Fund, which is not subject to Management Fees and/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 Governing Documents, certain Advisers have the right to permit investors, affiliated with such Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees and/or carried interest. In general, the Management Fee offsets described herein apply only with respect to the capital commitments of fee-paying investors.

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 Blue Sea Capital.

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

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 the Governing Documents. Typically, each Fund bears all organizational expenses, subject to any applicable limitations in its Governing Documents, and fees, costs, expenses, liabilities and obligations of the Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not



reimbursed by a portfolio company or applied to reduce Management 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 break-up or topping fees or other liabilities or obligations), 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, buy-side and sell-side finders' fees (as well as other similar deal sourcing payments), social and entertainment costs, closing dinners, mementos or limited partner gifts; travel meals, the costs of hosting or attending training programs, meetings or other events for portfolio companies and their executives and/or their personnel, limited partner transfer expenses (to the extent not borne by the relevant limited partner(s)), expenses relating to hiring consultants for portfolio companies or potential portfolio companies (e.g., headhunter fees, background checks or relocations expenses) 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; any taxes, fees and other governmental charges levied against the Fund; attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of a General Partner at any trade conference, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; costs of conferences (including related travel, lodging and/or meals) relating to specific investment opportunities and/or the relevant industries or strategies in which the Funds invest; software development costs or other technology-related expenses relating to any of the foregoing or otherwise; and any other fees, costs, expenses, liabilities or obligations approved by a Fund's advisory board. As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Blue Sea Capital and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses and/or fees are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with maintaining and operating their respective offices, including employees' salaries, rent, utilities and other similar expenses specified in the Governing Documents. Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto, and (where applicable) environmental,

social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests. To the extent brokerage fees are incurred, they will be incurred in accordance with the practices set forth in “Brokerage Practices.” Investors should refer to the Governing Documents for a full list of expenses that will be borne by the Funds.

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 practices and the Governing Documents and/or Side Letter(s). Where a Co-Invest Fund is formed or for the Executive Funds, such Co-Invest Fund and the Executive Funds generally will 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 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. To the extent the Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

Additionally, as further described herein and in the Governing Documents, it is the Advisers’ practice to employ, use or 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, discretionary bonuses (whether or not based on pre-determined milestones), a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from the Advisers and/or the Funds or affiliates, guaranteed minimums or other compensation, the amount of 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 believed to be charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Fund’s investment, and the relevant Fund typically will bear the costs of all Third Party Consultant and/or Executive Advisor compensation as well as fees, costs and expenses of structuring Third Party Consultant

and/or Executive Advisors arrangement. 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 or reduce the Management Fee. The use of Executive Advisors subjects the Advisers to potential 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 the relevant Fund. A carried interest allocation represents an investment adviser’s compensation based on a percentage of net profits of the funds it manages. The Executive Funds are not charged a carried interest and Blue Sea Capital reserves the right in the future to also advise certain other 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 the Executive Funds 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.

Additionally, to the extent that Blue Sea Capital advises Private Investment Funds with varying carried interest terms and/or Blue Sea Capital personnel are assigned varying percentages of carried interest from the Funds, Blue Sea Capital and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

Blue Sea Capital seeks to address the potential for conflicts of interest in these matters with allocation practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Blue Sea Capital or any personnel.

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**

Blue Sea Capital provides investment advice solely to its Private Investment Fund clients. Private Investment Funds generally 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 Private Investment Funds generally 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 other service providers retained by Blue Sea Capital, executives of portfolio companies or, directly or indirectly, Blue Sea Capital's Principals or other employees or their family members.

The relevant General Partner also generally is permitted from time to time to establish Funds that are alternative investment vehicles in order to permit certain 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 Governing Documents of 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 reserves the right to 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 the Governing Documents.

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 Blue Sea Capital believes are 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 experience, 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 Blue Sea Capital's 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.* A Fund's investment portfolio is expected to 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 a Fund's future results. While the Advisers intend for the Funds 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 a 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 a Fund's investment once made.

*Concentration of Investments.* Each 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, a 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.

To the extent a Fund provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which may exclude bridge financing investments.

*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 a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, regardless of the extent to which commitments of the limited partners are invested (or drawn down to be invested), limited partners will be required to bear Management Fees through such Fund during the investment period based on the entire amount of the limited partners' commitments to such 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 a Fund through the investment strategy and methods described herein, the relevant General Partner is permitted to pursue additional investment strategies and/or 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 Governing Documents. A General Partner is permitted to pursue investments outside of the industries and sectors in which Blue Sea Capital has previously made investments or has internal operational experience.

*General Risks of Investments in Healthcare Companies.* Investments in healthcare companies involve a high degree of business and financial risk and can result in substantial losses. Healthcare companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. Companies in which a Fund invests could deteriorate for a variety of reasons, including an adverse development in their business, a change in the competitive environment, or an economic downturn.

*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 each Fund intends to make investments in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including, in particular, the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a Fund invests.

By way of example, in recent years, both local and national governmental budgets have come under pressure to reduce spending and control healthcare costs, which could both adversely affect regulatory processes and public funding available for healthcare products, services and facilities. In March 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or PPACA (collectively, the “**Health Care Reform Act**”). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While one intent of healthcare reform is to expand health insurance coverage to more individuals, it may also involve additional regulatory mandates and other measures designed to constrain medical costs, including coverage and reimbursement for healthcare services. The Health Care Reform Act has had a significant impact on the healthcare sector in the U.S. and consequently has the ability to affect the companies within the healthcare industry. There currently is uncertainty surrounding the future of the Health Care Reform Act and whether it will be repealed and replaced or otherwise modified, and any decisions with respect to the Healthcare Reform Act likely will have a significant impact on the healthcare industry and the companies in which the Fund invests. The ultimate effects of federal healthcare reform or any

future legislation or regulation, or healthcare initiatives, if any, on the healthcare sector, including the modification or repeal of the Healthcare Reform Act (whether in whole or in part), whether implemented at the federal, state or local level, or internationally, cannot be predicted with certainty and such reform, legislation, regulation or initiatives, including the Health Care Reform Act, may adversely affect the performance of the Funds' investments.

*Governmental and Third Party Payors.* In both the U.S. and foreign markets, sales of a healthcare company's products and its success will depend in part on the availability of reimbursement from third party payors such as government health administration authorities, private health insurers, and other organizations. The levels of revenues and profitability of healthcare companies may be affected by the continuing efforts of governmental and third party payors to contain or reduce the costs of healthcare. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. There can be no assurance that a healthcare company's proposed products will be considered cost effective or that adequate third party reimbursement will be available to enable a healthcare company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

*Illiquidity; Lack of Current Distributions.* An investment in a 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 a 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.* A Fund is permitted to 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 (and such credit markets may be impacted by regulatory restrictions and guidelines), 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 often 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 a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which in recent years have been at or near historic lows) and could accelerate and magnify declines in the value of such 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 its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple

or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency.

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise become liable therefor, and in such situations, it is not expected that the Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund is permitted to 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 a Fund incurs leverage (or provides such guaranties), such amounts are permitted to 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.

*Subscription Lines.* A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the Blue Sea Capital. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.



A credit agreement frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The General Partners are authorized to use Fund-level borrowing to pay Management Fees and reimburse Blue Sea Capital for expenses on behalf of the Funds. A Fund is also permitted to also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

In borrowing on behalf of a Fund, Blue Sea Capital is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

*Limited Transferability of Fund Interests.* There is no public market for the Funds' interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents 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 a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of a 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 Governing Documents, including the value used to determine the amount of carried interest available to the relevant General Partner with respect to such investment.

*Reliance on the Advisers and Portfolio Company Management.* Control over the operation of the Funds will be vested with the Advisers, and the Funds' 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 Funds' ability to realize their investment objectives. In addition, the Principals expect to, in the future, manage other investment funds besides the Funds and the Principals are expected to need to devote substantial amounts of their time to the investment activities of such other funds, which will 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 a 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 a 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 Funds 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 Funds' objectives.

*Limited Operating History.* While the Principals have previous experience making and managing investments similar to those contemplated by the Funds, 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, a 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 a 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 a 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 relevant 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, Blue Sea Capital 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 can be no assurance that any Fund will make follow on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a 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 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.* A Fund may invest in portfolio companies that are organized, headquartered and/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 a 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 a 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 and/or more restrictive regulatory institutions and judicial systems; (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 Governing Documents 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 a 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 or that increase their respective commitments to a 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.* A 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 a Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors or is subject to terms and conditions imposed by portfolio company lenders, the relevant portfolio company 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 relevant Fund or its 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.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or Blue Sea Capital generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partners and their affiliates will obtain certain types of material information from or relating to a Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Blue Sea Capital's control. Decisions by Blue Sea Capital or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Fund may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Blue Sea Capital and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Fund's advisory board generally may, by virtue of such participation, have more or earlier information about a Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and Blue Sea Capital reserves the right to withhold certain information from investors subject to such laws for reasons relating to Blue Sea Capital's public reputation, business strategy or other reasons.

*Material, Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of Blue Sea Capital and its affiliates, as well as in connection with officerships or directorships of Blue Sea Capital personnel, 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 a Fund. Consequently, a 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 and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Blue Sea Capital or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of Blue Sea Capital's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Blue Sea Capital or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Hedging Arrangements; Related Regulations.* A General Partner is authorized (but not obligated) to endeavor to manage the relevant 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.* Certain 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 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 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.* A 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 a 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. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Funds’ investment activities.

*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, virus or disease epidemics 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 a 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 a Fund's portfolio companies. A 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 a 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 a Fund's ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Public Health Emergencies; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. In many jurisdictions, restrictive measures have been re-imposed to address subsequent waves of infection. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of COVID-19 — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19's impact will depend on many factors, including the ultimate duration and scope of

the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions (including the effectiveness of vaccines and the implementation of vaccination programs) designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able to “re-open,” it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the General Partners and Blue Sea Capital may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Litigation.* In the ordinary course of its business, the Funds may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partners’ and the Principals’ time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Ability to Finance and Consummate Investments.* A 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 Funds to realize their investments at favorable times or for favorable prices.



*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continues to be significant discussions 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 Funds' activities, including the ability of a Fund to effectively and timely address such regulations, 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 Funds or the Advisers, which could make it more difficult for Blue Sea Capital to incentivize, attract and retain individuals to perform services for the Funds.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent the Funds efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than they otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of a partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation could adversely affect the ability of Blue Sea Capital, employees or other individuals associated with the Funds or the General Partners who were or may in the future be granted direct or indirect interests in the General Partners, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from the Funds and the General Partners, which could make it more difficult for the General Partners and their affiliates to incentivize, attract and retain individuals to perform services for the Funds. These same issues may also apply to officers, directors and employees of the Funds' portfolio companies if such persons receive a profits interest in such companies.

*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 will be in addition to Management Fees and carried interest paid by the Funds. 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 have the potential to create a conflict with respect to a 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 Funds. 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 relevant 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 are subject. 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. 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.

*Privacy and Data Protection Law Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "**Privacy Laws**") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Blue Sea Capital, the General Partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Blue Sea Capital, the General Partners, the Funds and/or their portfolio companies,

are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, as amended, and the EU has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include Blue Sea Capital, the General Partners, the Funds and/or their portfolio companies.

*United Kingdom (“UK”) Exit from the European Union (the “EU”).* On March 29, 2017, the UK formally notified the European Council of its intention to leave the EU (“Brexit”). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24, 2020, the UK government and the EU Commission provisionally agreed to a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

Although provisionally agreed, the terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses will have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade arrangements are in the process of being ratified and implemented.

There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK’s exit from the EU may adversely affect both EU and UK-based businesses, including Blue Sea Capital and Fund portfolio companies, as applicable. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

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 Governing Documents, 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 likely will conflict with the interests of Blue Sea Capital, one or more other Private Investment Funds, portfolio companies or their respective affiliates in certain circumstances. 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 Governing Documents. However, Blue Sea Capital currently manages and expects in the future to manage other investment funds and investments similar to those in which the Funds invest, and expects to direct certain relevant investment opportunities or resources to those investment funds and investments. Blue Sea Capital personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. 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 expect to receive management fees and carried interests relating to these interests. Such other investment funds and investments that Blue Sea Capital and the Principals expect from time to time to control or manage generally have the potential to compete with a Fund or companies acquired by a Fund. Following the investment period for a particular Fund, Blue Sea Capital and the Principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, Blue Sea Capital personnel are permitted to serve on boards or act in other roles unaffiliated with Blue Sea Capital, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

From time to time, Blue Sea Capital will 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. Except as required by the Governing Documents, Blue Sea Capital is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Blue Sea Capital in a

portfolio company also have the potential to 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 a particular Fund based on the Governing Documents, as well as factors including, but not limited to, investment objectives, strategies, life cycle, structure and other relevant factors. Blue Sea Capital will determine if the amount of an investment opportunity in which a particular Fund will invest exceeds the amount that would be appropriate for such Fund and Blue Sea Capital reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Governing Documents, 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; existence of a formal or informal strategic relationship with the prospective co-investor; and whether Blue Sea Capital believes that allocating investment opportunities to an investor or other person will help establish, recognize, 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. Although Blue Sea Capital reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Blue Sea Capital in identifying co-investors. Blue Sea Capital reserves the right to 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, Blue Sea Capital or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. 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 potential 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 reserves the right, in its sole discretion, to provide or commit to provide co-investment opportunities to one or more limited partners of a Fund and/or other persons. Co-Invest Funds are permitted to be established in order to invest alongside one or more other Funds, and Blue Sea Capital will 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 the relevant 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 among the persons and in the manner discussed herein often will not result in proportional allocations among the Private Investment Funds or other persons, and such allocations likely will 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 its clients 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 potential conflicts of interest to which Blue Sea Capital expects to be subject, as discussed herein, did not exist.

In certain cases, Blue Sea Capital will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, 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 Governing Documents, 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.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions, including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring, may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by Blue Sea Capital in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, Blue Sea Capital expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the relevant General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, Blue Sea Capital expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds are expected to be prohibited from exercising (or Blue Sea Capital may deem it appropriate to refrain from exercising) voting or other

rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. Blue Sea Capital intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Blue Sea Capital and its affiliates may from time to time express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

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

As a general matter, Fund expenses typically will be allocated among all relevant Private Investment Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will 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, or in certain circumstances determining whether a particular expense has a greater benefit to a Fund or Blue Sea Capital. The Private Investment Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to 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. Except to the extent such amounts are subject to the Governing Documents' 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 or review by 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 potential conflicts of interest.

In connection with its services to the Funds and their investments, Blue Sea Capital, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits, including, without limitation, information, "know-how," experience, analysis and data relating to Funds or portfolio companies, third-party rewards programs resulting from the use of credit cards in connection with Blue Sea Capital business that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs and, in each case, any such benefits will not be shared with the Funds offset or otherwise reduce the Management Fees.

Blue Sea Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (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, including relationships with joint venturers or co-venturers, or relationships where Blue Sea Capital personnel are seconded, or from which Blue Sea Capital receives secondees; or (iii) certain limited partners or their affiliates. For example, Blue Sea Capital expects to 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 has a potential 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, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Blue Sea Capital), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. 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. Although Blue Sea Capital generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. 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, Blue Sea Capital reserves the right from time to time to 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 automatic or other re-balancing of 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. Certain of 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 to be fair and equitable to each client under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although Blue Sea Capital generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such case, Blue Sea Capital intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Blue Sea Capital and/or its affiliates reserve the right to employ or engage 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 are expected from time to time to 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 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. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Blue Sea Capital entities) to Blue Sea Capital personnel and their estate planning vehicles. Blue Sea Capital expects to be subject to a potential 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 or one or more other Funds. For example, Blue Sea Capital reserves the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or a successor Fund rather than the Fund making the payment. Blue Sea Capital expects to be subject to a potential 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 a Fund or its portfolio companies.

Blue Sea Capital, its affiliates, and equity holders, officers, principals and employees of Blue Sea Capital and its affiliates reserve the right to buy or sell securities or other instruments that Blue Sea Capital has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in the Governing Documents and any related 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, as well as in investment vehicles (including private funds) sponsored by competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

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 or reduce the Management Fee as described herein. Executive Advisors generally make use of Blue Sea Capital resources or otherwise be associated with Blue Sea Capital. In certain

circumstances, Blue Sea Capital or its affiliates reserve the right to 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 or reduce the Management Fee of any Fund, as described herein. To the extent that Executive Advisors are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Executive Advisor's services at a time when fewer portfolio companies or Funds make use of such Executive Advisor. Although the use of such persons and the allocation of compensation paid to them by Blue Sea Capital, its affiliates and/or the portfolio companies subjects Blue Sea Capital and/or its affiliates to potential conflicts of interest, Blue Sea Capital believes that such potential conflicts have the potential to 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 aligns with Blue Sea Capital's model for the portfolio company and improve portfolio company performance. Although Blue Sea Capital seeks to retain Executive Advisors with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, 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 creates 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 is only permitted to 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 creates an incentive to deploy capital when the Advisers would not otherwise have done so in the absence of such conflicts of interest.

Blue Sea Capital and/or its affiliates reserve the right to 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 (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by the Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded from, or

regulatory or other factors limiting their participation in, investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

Blue Sea Capital has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Blue Sea Capital has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be directly involved in such arrangements. 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. Discounted prices or better terms offered by a portfolio company to Blue Sea Capital, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

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 manner it believes to be fair and equitable to the Funds under the circumstances over time. 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 other Blue Sea Capital investment advisers, including the General Partners and, in the future, may be affiliated with additional General Partners and equivalent entities formed from time to time and subject to 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 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 any public or non-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 and non-public company, Blue Sea Capital generally 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 generally are expected to directly or indirectly own an interest in one or more Private Investment Funds, including certain co-invest vehicles. To the extent that Co-Invest Funds exist, such vehicles are expected to 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 expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Funds, as well as 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 reserves the right to distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, such as where 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 intends to follow 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 reserves the right to consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of Blue Sea Capital 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 are permitted to 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 expects to 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 the 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 also reserves the right to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Blue Sea Capital expects, 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 Blue Sea Capital believes they are fair and equitable to its clients under the circumstances over time.

In Blue Sea Capital's private company securities transactions on behalf of the Funds, Blue Sea Capital reserves the right to 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 reserves the right to 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 Blue Sea Capital 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 intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services. As described in the 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 or reduce a Fund's Management Fee.

Blue Sea Capital reserves the right from time to time to 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 generally will 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, and Blue Sea Capital has retained Lazard in connection with the offering of Blue Sea Capital Fund II LP. 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. Each of JPMorgan Chase Bank, NA and BMO Harris Bank NA serves as the qualified custodian for Fund I, Fund II, Executive Fund I and Executive Fund II.

## **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 and/or its affiliates generally have entered, and expect to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund are 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 is authorized to 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.