

FIRM BROCHURE

SEQUEL HOLDINGS, L.P.

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This brochure provides information about the qualifications and business practices of Sequel Holdings, L.P. If you have any questions about the information contained in this brochure, please contact us at (214) 292-4150. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering and governing documents that contain a description of the material terms relating to such investments, products or services.

Additional information about Sequel Holdings, L.P. also is available on the SEC’s website at www.adviserinfo.sec.gov.

June 26, 2019

Item 2: Material Changes

This is our initial firm brochure. In connection with the annual updating amendment to our firm brochure, we will revise this item to include a summary of any applicable material changes.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, such documents shall control.

We encourage all clients and investors to carefully review this document and/or any other applicable disclosure documents in their entirety.

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FIRM DESCRIPTION AND OVERVIEW

Sequel Holdings, L.P., a Texas limited partnership and private equity fund manager (“Sequel,” “we,” “our,” or “us”), was formed in 2002. We provide or will provide investment management, portfolio management and other services to various affiliated private equity funds, including Sequel Capital Fund II, L.P. (“Fund II”), Sequel Capital Fund III, L.P. (“Fund III,” and together with Fund II, the “Capital Funds”), SCF III/SG Structured Fund, L.P. (the “SG Fund”, and together with the Capital Funds, the “Funds”), and various other special purpose vehicles (the “SPVs”, and together with the Funds, “clients”), with respect to investments in Portfolio Companies (as defined below). Our investment advice is provided in accordance with the investment objectives, strategies, guidelines, restrictions and limitations described in the applicable offering and/or governing documents of each client, and as further disclosed in correspondence with investors in each client, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

We do not act as general or limited partner of any Fund. Instead, certain of our affiliates serve as general partners of the Funds and rely on our investment adviser registration instead of separately registering as investment advisers with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). **See Item 10.** Except as the context otherwise requires, any reference to “we,” “us,” or “our” in this document includes Sequel and any affiliates relying on our registration.

PRINCIPAL OWNERS

Sequel is ultimately owned and controlled (indirectly through one or more intermediate entities) by John W. Madden.

TYPES OF ADVISORY SERVICES

We provide investment management, portfolio management and other services to our clients, which invest primarily in small- to medium-sized middle market companies (“Portfolio Companies”). In general, we only provide advice with respect to investments (either directly or indirectly) in the securities of a limited number of lower middle-market Portfolio Companies primarily in the food and beverage, agribusiness and plastics and specialty materials sectors. We do not provide advice with respect to any investments other than private equity investments. Information about each client is set forth in the applicable offering and/or governing documents. Investment in a client does not and shall not create an advisory relationship between an investor in such client and us. **See Item 8 below.**

Even though investment decisions with respect to the Funds are ultimately made by their respective general partners, we provide portfolio management, investment advisory and supervisory services and other services with respect to each Fund in accordance with the investment objectives, policies and guidelines set forth in such Fund’s applicable offering and/or governing documents.

In addition, the SG Fund has been established as a co-investment vehicle for an investor in Fund III to invest on a side-by-side basis with Fund III in applicable co-investment opportunities (subject to certain exceptions). The SG Fund may not necessarily co-invest alongside Fund III (or be required to co-invest alongside Fund III) in all investments made by Fund III on a going forward basis pursuant to the terms and conditions set forth in the partnership agreement of the SG Fund. **See Item 11 below.**

Each of the SPVs was established to facilitate an investment in a particular Portfolio Company by one or more clients and third party investors. In particular, certain of the Funds invest or may invest in Portfolio Companies indirectly through SPVs.

INVESTMENT RESTRICTIONS

We provide investment advice to each client in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and/or governing documents, and not in accordance with the individual needs or objectives of any particular investor in that client. Investors generally are not permitted to impose restrictions or limitations on the management of our clients.

Certain of the Funds and their general partners or controlling persons have entered into, and may from time to time in the future enter into, side letter agreements or other similar agreements or arrangements (commonly referred to as

“side letters”) with certain investors in such Fund that have the effect of establishing rights or terms and/or otherwise benefitting such investors in a manner that is more favorable in various material respects than the rights and benefits established in favor of other investors pursuant to the applicable governing documents. Such rights or benefits in any side letter or similar agreement include or may include, without limitation, (i) most favored nations status, (ii) fees and/or carried interest reductions or waivers, (iii) reporting obligations of the applicable general partner, manager or us and/or preferential information rights, (iv) waiver of certain confidentiality obligations, (v) consent of the general partner to certain transfers by such investor, or (vi) rights or terms necessary or advisable in light of particular legal, regulatory or public policy considerations of an investor. Certain investors that have the benefit of “most favored nation” protection are given the opportunity to elect the rights and terms in any side letter or other similar agreement that are applicable to such investors.

ASSETS UNDER MANAGEMENT

As of May 31, 2019, we had approximately \$213,393,303 in regulatory assets under management. All of these assets were managed on a discretionary basis. Please note that certain of the Funds invest in Portfolio Companies indirectly through SPVs and our regulatory assets under management includes the gross assets of the Funds and the SPVs (including the assets of each SPV that are attributable to a Fund). As a result, certain assets of the Funds may be “double counted” for purposes of our regulatory assets under management.

Item 5: Fees and Compensation

FEE SCHEDULES

Capital Funds

In consideration of our advisory services, we and/or certain of our affiliates generally are entitled to receive management fees and/or carried interest distributions with respect to the Capital Funds. Investors should carefully review the offering and governing documents of the applicable Capital Fund for a description of the fees applicable to it. Nevertheless, an overview of the fee schedule applicable to each Capital Fund is set forth below.

Management Fees. We are entitled to receive a management fee from each Capital Fund in accordance with the terms and conditions set forth in the applicable governing and/or offering documents. The management fee with respect to the Capital Funds generally is equal to 0.5% (2.0% per annum) (i) of the aggregate capital commitment of each investor during the investment period of the applicable Capital Fund, and thereafter (ii) of the aggregate capital contributions made by each investor in respect of unrealized investments, reduced proportionally by the amount of any net write-ups and write-downs associated with the unrealized investments.

Notwithstanding the foregoing, the management fees with respect to Fund III generally are reduced and offset by (a) fifty percent (50%) of Fund III's allocable share of any onboarding fees received from an actual or potential Portfolio Company; and (b) fifty percent (50%) of Fund III's allocable share of any exit fees received from a Portfolio Company.

Carried Interest Distributions. The respective general partner of a Capital Fund generally is entitled to receive a carried interest distribution equal to 20% of profits derived from the disposition of investments (following a return of aggregate capital contributions attributable to disposed investments and a preferred rate of return of 8% to investors). Upon termination of a Capital Fund, its general partner generally is required to return carried interest distributions to such Capital Fund to the extent that they exceed amounts that would have been distributed to the general partner as carried interest distributions if such carried interest distributions were calculated on an aggregate basis covering all transactions of the Capital Fund (subject to the terms and limitations set forth in the applicable partnership agreement).

Each investor in a Capital Fund generally is required to represent that it is, among other things, a "qualified client," as such term is defined in Rule 205-3 under the Advisers Act. **See Item 7.**

Management fees and/or carried interest distributions generally are not negotiable. However, the general partner of each Capital Fund has entered into, and/or may enter into, side letter agreements or arrangements with one or more investors in that Capital Fund that alter, reduce, modify or change the terms of the interests held by such investors.

SG Fund

Management Fees. Neither we nor any of our affiliates generally are or will be entitled to receive any management fees with respect to the SG Fund.

Carried Interest Distributions. The general partner of the SG Fund generally is entitled to receive carried interest distributions equal to a percentage of profits derived from the disposition of investments (following certain tiered returns of aggregate capital contributions attributable to disposed investments and a preferred rate of return to investors ranging from 10% to 20%). Upon termination of the SG Fund, its general partner generally is required to return carried interest distributions to the SG Fund, to the extent that they exceed amounts that would have been distributed to the general partner as carried interest distributions if such carried interest distributions were calculated on an aggregate basis covering all transactions of the SG Fund (subject to the terms and limitations set forth in the applicable partnership agreement).

Each investor in the SG Fund generally is required to represent that it is, among other things, a "qualified client," as such term is defined in Rule 205-3 under the Advisers Act. **See Item 7.**

SPVs

Neither we nor any of our affiliates generally are entitled to receive any management fees or carried interest distributions with respect to the SPVs. Notwithstanding the foregoing, an affiliate of Sequel generally is entitled to receive a carried interest distribution equal to 16% of profits derived from the disposition of investments (following a return of aggregate capital contributions attributable to disposed investments and a preferred rate of return of 8%

to investors) with respect to certain of the SPVs. No other SPV is entitled to receive any carried interest distribution.

PAYMENT OF FEES

Management fees are payable by Fund II on the last day of each calendar quarter in arrears. Management fees are payable by Fund III on the first day of each calendar quarter in advance. Each investor is responsible for its *pro rata* portion of any such management fees. Management fees are typically funded with capital contributions drawn for such purpose but may also be funded with proceeds from investments. Installments of the management fee payable for any period other than a full calendar quarter are adjusted on a prorated basis according to the actual number of days in that period.

The amount of management fees otherwise payable to the general partner of Fund III generally are reduced by any offering and organizational expenses in excess of \$750,000.

Carried interest distributions with respect to the Capital Funds and the SG Fund are calculated from time to time upon the disposition of investments by such Fund and are distributed to the general partner thereof (following a return of aggregate capital contributions and a preferred rate of return to investors, as more particularly described above).

OTHER FEES AND EXPENSES

In addition to management fees (with respect to the Capital Funds) and carried interest distributions (with respect to the SG Fund and the Capital Funds), each client generally bears all costs and expenses in connection with the business and operations of such client, subject to the terms and conditions set forth in the applicable governing and/or offering documents and our expense allocation policy (as applicable).

Fund II

Subject to the governing documents, Fund II is generally responsible for paying all costs and expenses of organizing and continuing the Fund and each subsidiary thereof, and investigating, pursuing, negotiating, acquiring, owning, holding, managing and disposing of the investments. Fund II is responsible for, without limitation, the following expenses: travel costs in organizing or operating Fund II, taxes or other government charges levied against Fund II or a subsidiary, consulting fees, expenses of custodians, all costs associated with the research, investigation, negotiation and closing of investments, whether or not the investment is actually made, any insurance or litigation expense, expenses attributable to auditors, outside counsel, and accountants, capital contributions to the subsidiaries, and expenses attributable to bookkeeping and record keeping services performed by third party personnel.

Generally, investment costs directly attributable to an investment are allocated to such investment, and investment costs not directly attributable to an investment are allocated among the investments as determined by the general partner in its sole and absolute discretion.

With respect to Fund II, we, the general partner of Fund II or one of our affiliates may also be paid a management fee by one or more Portfolio Companies. Such fee will not exceed in any one-year period an amount in excess of the greater of (i) two percent (2%) of the subject Portfolio Company's earnings calculated before deductions for interest, taxes, depreciation and amortization, and (ii) \$250,000. Fund II or a subsidiary thereof may also be paid a transaction fee by a Portfolio Company, in which an investment is made, at the time such investment is acquired or pursuant to a subsequent transaction. Such transaction fee will be shared equally between the general partner of Fund II and the limited partners of Fund II.

Fund III and the SG Fund

Subject to the applicable governing documents, Fund III and the SG Fund (each as applicable) generally bear, subject in all cases to our applicable expense allocation policies and procedures, all costs, expenses and fees in connection with the business and operations of such fund including, without limitation, the following: (i) all administrative expenses related to the operation of the Fund, including the fees and expenses of accountants, attorneys (including expenses for legal services provided to the Fund or a Portfolio Company by our in-house attorneys or in-house legal counsel ("In-House Legal Fees"); provided that any such In-House Legal Fees will be subject in all cases to the in-house legal fee expense allocation policy), third-party administrators, custodians and other professionals and service providers engaged with respect to the Fund, data processing, investment-level management and servicing, drawdown notices, limited partner recordkeeping, legal, compliance, financial reporting, legal opinions, tax planning, tax projections, tax strategy and tax return preparation, as well as the expenses associated with the preparation and distribution of reports; (ii) all fees, costs and expenses, if any, incurred in

evaluating, negotiating, structuring, acquiring, appraising, financing, custody, settling, holding, developing, disposing, refinancing or otherwise dealing with actual or proposed investments pursued for the Fund (whether or not the Fund actually makes an investment), including any “dead deal” costs, financing, consulting, advisory, legal, due diligence, investment banking, reporting, projections, valuation, tax and accounting expenses and other fees and out-of-pocket costs related thereto and any insurance, indemnity, or litigation expense, subject to certain restrictions with respect to the SG Fund; (iii) all fees, costs and expenses, if any, with respect to rendering financial assistance to or arranging for financing for the Fund’s direct or indirect investments; (iv) all fees, costs and expenses, if any, incurred and not reimbursed in relation to the acquisition, holding, developing, monitoring, management, appraising, financing, refinancing, disposing of investments or otherwise dealing with Portfolio Companies, including any legal, audit, financing, appraisal, insurance consulting, brokerage, inspection, indemnification and accounting expenses and other fees and out-of-pocket expenses related thereto (including independent contractors or consultants engaged or retained to provide services with respect to one or more of such Portfolio Companies); (v) prime brokerage fees, custodial expenses, brokerage commissions and other investment costs, fees and expenses incurred by or on behalf of the Fund in respect of investments; (vi) interest on and fees and expenses arising out of all borrowings made by the Fund, including, but not limited to, the arranging thereof, and the costs and expenses of any lenders, investment banks and other financing sources; (vii) all fees, costs and expenses incurred in organizing, forming and maintaining any entities, alternative investment vehicles or subsidiaries and all fees, costs and expenses incurred in connection with the offering of interests, including, as subject to the applicable organizational expenses cap, all costs and expenses incurred by the applicable general partner, us and our affiliates in connection with the offering of interests and the formation and organization of the Fund, the general partner, subsidiaries, alternative investment vehicles and any other entities that are formed to facilitate investments by the Fund, including legal and accounting fees, printing costs, travel costs, “blue sky” filing fees; (ix) all taxes, fees and other equivalent government charges levied against the Fund or any investment thereof or the income thereof, fees of auditors, counsel and other advisors of the Fund, premiums for insurance protecting the Fund, the general partner, us and any other indemnified parties, including, without limitation, directors and officers liability or other insurance relating to the affairs of the Fund, and any litigation costs of the Fund; (x) indemnification expenses incurred pursuant to the governing documents of the Fund or related to any Portfolio Company, and any other extraordinary administrative or operating fees or expenses of the Fund; (xi) reasonable out-of-pocket travel expenses and other costs incurred in connection with the business and investment activities of the Fund and the investment due diligence process, including, without limitation, transportation (which may include the cost of first or business class commercial airfare or the cost of chartering private aircraft or other private air travel; *provided* that reimbursement or payment of expenses or costs of chartering private aircraft or other private air travel shall require the prior approval of the advisory committee, as applicable), meals, lodging, international data and roaming, incidentals, and entertainment; *provided* that reimbursement or payment of expenses or costs related to entertainment does not exceed a certain cap amount in any calendar year (inclusive of expenses or costs related to entertainment reimbursed or paid by the SG Fund or Fund III, as applicable, any parallel partnership or any of either of their limited partners) without the consent of the advisory committee, as applicable; (xii) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies (including the SEC) relating specifically to the Fund, including costs incurred by the general partner, us and our respective affiliates in complying with laws and regulations that apply to any such entities as a result of their services to the Fund (including, without limitation, costs and expenses relating to (a) the preparation and filing of Form PF, Form ADV and/or other regulatory filings of the general partner, us or our respective affiliates relating to the Fund’s activities, as well as all filings with any other applicable regulatory or self-regulatory authorities or organizations and any costs and expenses relating to maintaining regulatory compliance with applicable law, and any other similar fees or expenses; (b) the Fund’s share of compliance and consultant fees and/or legal consultant fees as determined in the general partner’s discretion; (c) obtaining exemptions, maintaining qualifications and satisfying any regulatory or other jurisdictional fees, such as filing, notice and registration fees; (d) legal filings and compliance with the Alternative Investment Fund Managers Directive and the private placement laws of any jurisdiction; and (d) compliance with anti-money laundering laws and know-your customer requirements); (xiii) with respect to Fund III only, (a) costs and expenses associated with Fund meetings, including meetings of limited partners, and any meetings of the advisory committee; (b) all reasonable out-of-pocket expenses incurred by members of the advisory committee in attending meetings of the advisory committee which are not concurrent with an annual meeting of the Fund; and (c) all reasonable out-of-pocket expenses incurred by members of the investment committee established in respect of the Fund who are not our affiliates in attending meetings of the investment committee; (xiv) expenses of winding-up and liquidating the Fund; (xv) all other customary expenses directly attributable to the Fund’s operations; and (xvi) all amounts to be contributed or advanced to any Portfolio Company by the Fund, directly or indirectly, for the purpose of making

such investment and paying any cost of the type described above.

With respect to Fund III, we and our affiliates may receive or collect from or with respect to a Portfolio Company or a proposed Portfolio Company (i) a non-refundable onboarding fee for providing such Portfolio Company with certain onboarding services and advice, which can include follow-on and add-on acquisitions (as determined by the general partner of Fund III in its discretion) and/or (ii) a non-refundable exit fee for providing such Portfolio Company with certain exit services and advice (as determined by the general partner of Fund III in its discretion). As discussed above, Fund III's allocable share of such fees will partially offset the management fees payable with respect to Fund III. We and our affiliates also regularly enter into agreements or arrangements with Portfolio Companies pursuant to which we and our affiliates, employees and consultants provide such companies with management and other services (including services relating to strategic, financial, operating and other matters) in exchange for management, monitoring, financing, or seller transition fees. In addition, we and our affiliates, employees and consultants from time to time receive transaction fees related to acquisitions, restructurings or certain other non-ordinary course transactions entered into by or with respect to Portfolio Companies. We have entered into side letters with certain investors in Fund III and the SG Fund that provide such investors with fee offset rights that are more favorable than the offset terms set forth in the governing documents of Fund III.

With respect to Fund III and the SG Fund, we generally select and engage certain business leaders or executives with established track records of building shareholder value to assist with sourcing and investigating potential investments and developing profit-enhancing strategies for Portfolio Companies (among other things), or otherwise providing services to Fund III or its Portfolio Companies (each, an "Operating Partner"). Operating Partners who source opportunities for or provide services to Fund III, the SG Fund and/or their respective Portfolio Companies may be paid (directly or indirectly) up to a certain amount per month per Operating Partner by the Fund and, as applicable, the SG Fund (any such amounts paid to such Operating Partners, "Operating Partner Fees"), and any such Operating Partner Fees will be allocated, where applicable, between the Fund and the SG Fund as "shared expenses" pursuant to our expense allocation policies. The aggregate amount of Operating Partner Fees payable by Fund III and, as applicable, the SG Fund (directly or indirectly), collectively, with respect to all Operating Partners in any calendar month may not exceed the cap set forth in the applicable governing documents. In addition to Operating Partner Fees, Operating Partners may also receive additional compensation, benefits and fees directly from Portfolio Companies or from us.

The investment strategies we employ for the Funds generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions. To the extent applicable, each Fund generally is responsible for and pays any of its custodial fees and expenses. **See Item 12 below.**

The foregoing description is not intended to be exhaustive and is qualified in its entirety by the applicable partnership agreement of each client.

COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

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

PERFORMANCE-BASED FEES

As noted under Item 5 above, we are or may be entitled to receive carried interest distributions with respect to certain of our clients. Carried interest distributions could motivate us, due to our relationship with our affiliates, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. For example, a carried interest distribution generally entitles our affiliate to a percentage of the net profits of such Fund; however, such affiliate is not required to bear the same proportion of the net losses, if any, suffered by a particular Fund as a whole. We generally attempt to mitigate conflicts of interest associated with carried interest distributions through (i) the requirement that invested capital, a preferred return and expenses be returned to investors before our affiliate is entitled to receive any carried interest distributions; (ii) a substantial capital commitment to the applicable Fund by us; and (iii) the clawback obligation of our affiliate upon liquidation of the applicable Fund.

The method of calculating the carried interest may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions.

Certain of our individual employees, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflict.

In general, we attempt to address any material conflicts through full and fair disclosure in the applicable offering documents and this brochure.

Item 7: Types of Clients

TYPES OF CLIENTS

We only provide investment advisory services with respect to the Funds and the SPVs, our sole advisory clients.

ACCOUNT REQUIREMENTS

Capital Funds

The minimum initial capital commitment generally required for an investor in Fund III is \$5,000,000. Nevertheless, capital commitments of lesser amounts are accepted in our discretion.

Each investor in the Funds generally is required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act.

Each investor in Fund III and the SG Fund is required to represent that it is also, among other things, a “qualified client,” as such term is defined in Rule 205-3 under the Advisers Act.

SPVs

Each investor in the SPVs generally is required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act.

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

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The primary strategy of each Fund is to make control-oriented investments in small to medium sized middle market companies organized or domiciled in the United States. Specifically, our investment strategy is to:

- focus on business operations in the food and beverage, agribusiness, and plastics and specialty materials sectors;
- target lower middle market companies with enterprise values ranging from \$20 million to \$100 million;
- invest primarily in common equity securities but we may also invest in preferred equity and subordinated debt securities with other junior capital providers, as appropriate;
- target transaction types including buy-outs, recapitalizations, and growth/acquisition opportunities; and
- acquire controlling ownership interests in relatively few operating companies.

We may recommend investments in companies in the lower end of the domestic middle-market because they generally can be purchased at a discount to the higher end of the middle market, and because we believe that companies within that segment present us with greater opportunities to improve company performance and profitability. We generally invest on an opportunistic basis and endeavor to be somewhat diversified across deal source, deal type, focused industries of interest, and geography. In general, each acquisition is based upon identification of growth trends within the specific industry sectors and for all aspects of sourcing, negotiating, due diligence, structuring, transaction execution, involvement with management, and investment exit. Following the acquisition, we generally are involved as board members and control equity sponsors of Portfolio Companies to drive exit valuation through the development of strategic initiatives focused on growth, operating efficiencies, add-on acquisitions, and reduction of risks.

While the investment portfolio of each Fund is likely to be concentrated on investments in relatively few Portfolio Companies, we generally attempt to manage risk by (among other things): (i) closely monitoring management of Portfolio Companies and (ii) diversifying investments between niche areas and geographies.

The investment strategies summarized above are not intended to be comprehensive. For more information regarding our investment strategies, please see the applicable offering and/or governing documents.

CERTAIN RISK FACTORS

*There can be no assurance that investors in the Funds will achieve their investment objectives or that investments in the Funds will be profitable. The Funds' investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that the Funds' investment strategies are low risk or risk free. These investment strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with the Funds' investment strategies and processes and will not necessarily apply to each investor. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. **The following risks are qualified in their entirety by the risks set forth in the applicable offering and/or governing documents. Because the SPVs generally invest in single Portfolio Companies, the risks described herein are also applicable with respect to the SPVs and such investments.***

Nature of Investments. Companies in the lower end of the U.S. middle market are relatively small companies that may be unseasoned, unprofitable or lack established operating histories or earnings, and may lack technical, marketing, financial and other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities. Although the Funds expect many of their investments will be made in companies with existing operations, a Fund may invest at earlier stages, including the start-up stage. Particularly in early stage enterprises, a major risk exists that a

proposed service or product cannot be developed successfully with the resources available to the Portfolio Company. There is no assurance that the development efforts of any Portfolio Company will be successful or, if successful, will be completed within the budget or time period originally estimated.

Certain Risks Related to the Food and Agribusiness Industries.

Food Safety Mishaps. Companies that manufacture food products face the risk of introducing products into the food chain that create safety issues for consumers, including the risk of food-borne illness and food contamination (including allergen cross contamination). While we place a high priority on food safety and intend to dedicate substantial resources and provide training to ensure the safety and quality of food manufactured by any Portfolio Company in the food manufacturing business, these risks cannot be completely eliminated. Additionally, any food manufacturer relies on its network of suppliers to properly handle, store and transport ingredients. Any failure by a direct or indirect supplier to a Portfolio Company to deliver safe and properly labeled ingredients could be difficult to detect and put the safety of the food manufactured by a Portfolio Company in jeopardy. Adverse publicity or news reports, regardless of accuracy, regarding food quality or safety issues, illness, injury, recalls, health concerns, government or industry findings concerning food products manufactured by a Portfolio Company, or in the specific industry segment in which the Portfolio Company operates, or even generally in the food supply chain, could be damaging to that Portfolio Company and specifically harm the Portfolio Company's brand and reputation, which in turn could materially adversely affect financial performance.

If any Portfolio Company food product becomes the subject of a product recall or market withdrawal, whether voluntary or involuntary, the costs to conduct such recall or market withdrawal could be significant and sales may be reduced, temporarily or permanently, which could materially adversely affect financial performance.

Any adverse food safety event could result in not only product withdrawals or recalls, but also regulatory and other investigations, and/or criminal fines and penalties, any of which could materially disrupt operations, increase costs, require interactions and filings with regulatory agencies that may divert resources and assets, and result in potential civil fines and penalties as well as other legal action, which could materially adversely affect financial performance.

Consumer Trends. Manufacturers of food products face many risks associated with quickly changing consumer preferences. Consumers tend to want greater and greater convenience, ease of preparation and variety, and higher quality. Meeting rapidly changing consumer preferences requires a commitment to market research and product development, which often requires a sizable investment and involves a high degree of estimation. If a Portfolio Company is not able to meet consumer demand, or if the Portfolio Company invests in products that are not preferred by consumers, its products could become obsolete or irrelevant, which would have a material adverse effect on financial performance.

Difficulty Finding Employees. Many jobs in food manufacturing or production operations tend to be minimum wage jobs with less than ideal working conditions, such as hot or cold work environments and physically taxing or highly repetitive manual tasks. Generally, when unemployment rates are low, it is difficult for companies in the food manufacturing or production industries to find suitable workers, and often it is necessary to raise the offered wage to find a sufficient number of qualified workers, or to reduce the number of operating shifts, which can have an adverse effect on financial results. Any Portfolio Company in the food manufacturing or production industry could face this type of costly and unanticipated labor shortage.

Challenges with Perishable Foods. Portfolio Companies that produce perishable products often face high costs of distribution, especially when the products are refrigerated. Spikes in distribution costs are difficult to predict and can result in reduced profitability.

Weather and Pest Related Risks. Weather events, including droughts, floods and freezes, are top risks for the agribusiness industry. Production risks also result from damage due to pests and crop disease, and from failure of equipment and machinery such as irrigation pumps. Any Portfolio Company operating in the agribusiness sector is subject to encountering one or more of these adverse events, any of which could have a material adverse effect on financial results.

Customer and Supplier Concentration. Small to medium sized, middle-market companies may be reliant on a limited number of customers or suppliers, the loss of any one of which can have materially adverse effects on such companies.

Need for Additional Capital. Certain of the Funds' Portfolio Companies, especially those in a development or "platform" phase, may require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular Portfolio Company. Each round of financing (whether from a Fund or other investors) is typically intended to provide a Portfolio Company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors. The availability of capital is generally a function of capital market conditions that are beyond the control of the Funds or any Portfolio Company. There can be no assurance that the Portfolio Companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source.

Portfolio Company Debt. The Funds generally employ significant debt as a way of improving the Funds' investment rate of return or reducing the overall cost of a Portfolio Company's capital. Use of debt increases a Portfolio Company's exposure to increasing interest rates, which could adversely affect its operating performance and cash flow. To the extent that a Portfolio Company is unable to generate sufficient cash flow to meet its debt service obligations, the value of the related investment could be significantly reduced or lost altogether. The profitability and survival of Portfolio Companies may depend on their ability to access sufficient sources of debt at attractive rates, which may or may not be available at any particular time. Business risks may be more significant in middle-market companies or those embarking on a build-up or operating turnaround strategy. Some Portfolio Companies may operate at a loss or have significant variations in operating results, may be engaged in a rapidly changing business or business environment with products subject to a substantial risk of obsolescence, may require substantial additional capital (which may not be available on attractive terms, if at all) to support their operations, finance expansion or maintain their competitive position, may be in an early stage of development or may otherwise have a weak financial position. If for any of these or other reasons a Portfolio Company is unable to generate cash flow to meet its operating expenses and working capital requirements, make principal or interest payments on its indebtedness, or make other required payments on its commitments, the Portfolio Company's business, financial condition and prospects could be materially adversely affected and the value of the related investment could be significantly reduced or even eliminated.

Reliance on Management of Portfolio Companies. Although we may monitor the performance of Portfolio Companies and generally are involved in the oversight thereof, we nevertheless rely substantially upon the management teams of such Portfolio Companies to operate such companies on a day-to-day basis. Consequently, the value of the Funds' investments is affected significantly by the efforts and decisions of Portfolio Company management teams. Because of their size and historical needs, many middle-market companies must rely heavily on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect future performance. However, middle-market companies may not always be led by incumbent management teams/founders who possess a broad range of experience or professional managerial skills. Further, key executives/founders may be approaching the ends of their active business careers, requiring (upon retirement) the planned transition to professional management or a next generation of senior managers. In situations where incumbent managers or founders are supplemented with or replaced by professional management teams, operating cultures or key relationships with customers, suppliers, personnel or others might be adversely affected. While we attempt during the due diligence process to assess the relative capabilities and depth of company managers and monitor performance over the course of an investment, no assurance is given that these efforts are or will be sufficient to overcome any decisions made or activities undertaken by management teams or that the supplementation or replacement of operating managers will be successful.

Control Person Liability. The Funds generally intend to establish control positions in, and we take an active role in the management of, Portfolio Companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The Funds may also seek to designate employees, agents or affiliates of the Funds, the general partners of the Funds or us to serve on the boards of directors of Portfolio Companies. The designation of directors and other contemplated measures could expose the assets of the Funds to claims by a Portfolio Company, its security holders and its creditors. While we intend to manage the Funds in a way that will reduce exposure to these risks, the possibility of successful claims cannot be precluded.

Risks in Effecting Operating Improvements. The Funds' investment strategy depends, at least in part, on the ability

of the Funds, the general partners of the Funds, us and our affiliates to restructure and effect improvements in the operations of a Portfolio Company, thereby increasing its profits during the applicable Fund's investment period. The activity of identifying and implementing restructuring programs, operating improvements and other means of increasing profitability at Portfolio Companies entails a high degree of uncertainty. There can be no assurance that we will be able to successfully identify and implement such restructuring programs and improvements.

Minority Investments. The Funds may invest in (i) debt or debt-related investments, (ii) minority positions in Portfolio Companies with minority protection rights, and/or (iii) structured investments that are intended to provide the Funds with downside protection and the opportunity to influence the operational activities of a Portfolio Company. In such cases, the Funds generally will rely significantly on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Moreover, the Funds may have a limited ability to protect their investments in such Portfolio Companies, although it is expected that appropriate minority investor rights generally will be sought to protect the Funds' interests. There can be no assurance that such rights will be available or obtained or that such rights will provide sufficient protection of the Funds' rights.

Equity Investments. The Funds invest in equity or equity-related investments, which, by their nature, involve business, financial, market and/or legal risks. Holders of equity or equity-related investments generally own a residual interest in the applicable Portfolio Company and are junior to any obligations owed to the senior or subordinated creditors of such Portfolio Company.

Illiquidity of Investments. The Funds make investments in securities that have limited liquidity. It is anticipated there will be a significant period of time before the Funds have completed their investments in Portfolio Companies. Such investments may typically take from 3 to 10 years from the date of initial investment to reach a state of maturity when partial or complete realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of the Funds' investment prior to that time. Generally, there will be no readily available market for a substantial amount of the Funds' investments. Most investments held by the Funds may not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and the Funds may not be able to sell such investments when they desire, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, it is likely that no return from the disposition of the Funds' investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors. If a Fund is unable to sell or otherwise dispose of an investment by the end of its respective term, the Fund and/or the investors may receive an in-kind distribution of their respective *pro rata* share of that investment, which may be illiquid. Although the general partners of the Funds generally expect that investments will either be disposed of prior to the end of the applicable Fund's term or be suitable for in-kind distribution, the general partner of the applicable Fund may need to sell, distribute or otherwise dispose of investments at disadvantageous times or prices at the end of such Fund's term or otherwise. In addition, although the general partners of the Funds generally expect to use commercially reasonable efforts to reduce to cash and cash equivalents all of the applicable Fund's investments to the extent practicable, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to such Fund's investors will occur.

Investments in Distressed Securities and Restructurings. The Funds may make investments in restructurings that involve Portfolio Companies that are experiencing or are expected to experience severe financial difficulties. These financial difficulties may never be overcome and may cause such Portfolio Company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject a Fund to certain additional potential liabilities that may exceed the value of such Fund's original investment therein. For example, under certain circumstances, payments to a Fund and distributions by such Fund to its investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims

or re-characterize investments made in the form of debt as equity contributions.

Debt Investments. The Funds may invest in bonds, notes, debentures and other debt-related instruments issued by Portfolio Companies. These investments may pay fixed, variable or floating rates of interest and may include zero coupon obligations. The Funds may invest in Portfolio Company debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the Portfolio Company's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss if the ratings are downgraded. Investments may experience significant credit rating volatility. In addition, a Fund may be paid interest in kind in connection with Portfolio Company debt and related financial instruments (e.g., the principal owed to a Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, a Fund may experience substantial losses. To the extent a Fund makes any debt investments, such investments will typically be subordinated to the senior obligations of an issuer, either contractually or structurally. Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer, general economic conditions, or both may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer.

Board Participation. The Funds generally expect to be represented on the boards of directors of most Portfolio Companies or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to a Fund's investment strategy and may enhance such Fund's ability to manage its investments, such positions may also have the effect of impairing a Fund's ability to sell or otherwise dispose of an investment (in whole or in part) when, and upon the terms, we or the general partner of a Fund may otherwise desire and may subject such Fund and others to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify us, their general partners and our affiliates, officers, employees and representatives from any losses associated with such claims.

Relationships of Affiliates of the Investment Manager and the General Partner to Portfolio Companies. One or more Portfolio Companies may engage our affiliates or employees or Operating Partners to provide services (or as officers or directors), and may pay to such person compensation or fees and reimbursement of certain expenses in connection therewith. Accordingly, our affiliates or employees or the Operating Partners may have interests that arise out of providing services to Portfolio Companies (such as the receipt of consulting and other fees) which conflict with the interests of a Fund as an investor in those Portfolio Companies. Our affiliates and employees and Operating Partners may provide services to enterprises that compete with Portfolio Companies for customers, suppliers, management or financial resources or in other respects. In addition, our affiliates and employees and Operating Partners may assist other enterprises in obtaining capital and in acquisitions and dispositions of businesses, which may conflict with the interests of the Portfolio Companies.

Co-Investments with Third Parties, Non-Controlling Investments and Limited Rights as Shareholder. In connection with co-investments, the Funds may hold non-controlling interests in certain Portfolio Companies and, therefore, may have a limited ability to protect its interests in such companies and to influence such companies' management. In addition, co-investments may be made with third parties through joint ventures or other entities, which may have larger or controlling ownership interests in such Portfolio Companies. In such cases, the Funds will rely significantly on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the applicable Fund is not affiliated and whose interests may at times conflict with the interests of such Fund. Such co-investments may involve risks in connection with such third-party involvement, including the possibility that a third party may be in a position to take (or block) action in a manner contrary to the applicable Fund's investment objectives or may have financial difficulties resulting in a negative impact on such investment. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. Co-investments made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third-party partners or co-venturers. There can be no

assurance that appropriate minority shareholder rights will be available to the Funds or that such rights will provide sufficient protection to the Funds' interests.

Contingent Liabilities upon Disposition of Investments. In connection with the disposition or realization of an investment, the Funds may be required to make certain representations about the business and financial affairs of the applicable Portfolio Company that are typical of those made in connection with the sale of a business and may be responsible for the content of disclosure documents under applicable laws. The Funds may also be required to indemnify the purchasers of such investment to the extent that any such representations or disclosure documents turn out to be inaccurate or misleading (or to the extent that the Portfolio Company does not have sufficient assets to cover such liabilities). These and other similar arrangements may result in contingent liabilities, which may ultimately be required to be funded by the Funds' investors to the extent that such investors have received prior distributions with respect to such investment.

Environmental Risks. Portfolio Companies generally are subject to numerous statutes, rules and regulations relating to environmental protection, under which a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. The Funds may be exposed to substantial risk of loss from environmental claims arising in respect of Portfolio Companies.

Identification of Suitable Investment Opportunities. The Funds' success may depend primarily upon the identification and availability of suitable investment opportunities. The business of identifying and structuring private equity investments is highly competitive and involves a high degree of uncertainty and risk. There generally is little or no publicly available information regarding the status and prospects of companies in which the Funds invest or are considering an investment. Many investment decisions by us and the general partner of the applicable Fund are dependent upon the ability of us and the general partner of the applicable Fund and our agents to obtain relevant information from non-public sources, and we often are required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The availability of investment opportunities is subject to market conditions and certain other factors that are outside of our control or the control of the general partner of the applicable Fund. Investors may never be fully invested if we cannot or do not identify enough sufficiently attractive investments during the applicable Fund's investment period. There can be no assurance that we will be able to identify sufficient attractive investment opportunities to meet the Funds' investment objectives or that the Funds' investors will be able to participate in any such investment opportunities.

Competition for Investments. The Funds may compete for the acquisition of investments with other investors, some of which will have more resources than the Funds or us. Such competitors may include investment funds as well as individuals, large publicly-traded companies, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size). In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

Expedited Transactions. Investment analyses and decisions by us and the general partners of the Funds may be undertaken on an expedited basis in order for the Funds to take advantage of available investment opportunities. In such cases, the information available to us and the general partners of the Funds at the time of the investment decision may be limited, and we and the general partners of the Funds may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, we and the general partners of the Funds may conduct our due diligence activities over a very brief period.

Borrowing. The general partner of a Fund may cause such Fund to borrow funds, guarantee third-party loans or other extensions of credit made by Portfolio Companies or potential Portfolio Companies (or subsidiaries thereof) and otherwise utilize leverage in connection with the Funds' investment program in accordance with the terms and limitations set forth in the applicable partnership agreement. Although the general partner of a Fund will seek to borrow funds and otherwise utilize leverage and borrowing in a manner it believes to be prudent and reasonable under the circumstances, the use of borrowed funds and leverage generally will involve a high degree of financial risk. In addition, borrowings by a Fund will expose such Fund to interest rate risk, and such Fund may be less likely to be profitable or meet its goals if interest rates increase. If a Fund does not receive sufficient cash flow from its

investments to meet principal and interest payments on any such borrowings, then that Fund may need to dispose of its investments sooner or at a lower price than it otherwise would have in order to pay the debt. Borrowings by the Funds have the potential to enhance overall returns that exceed the Funds' cost of funds, however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Funds' cost of funds.

Litigation. The Funds' investment activities may subject them or their affiliates to the risks of becoming involved in litigation with third parties. The expense of defending against claims against the Funds or their Portfolio Companies, as applicable, by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Funds and/or the Portfolio Companies, reduce distributions and could require the Funds and/or investors in a Fund to return distributed capital and earnings to the applicable Fund. We and the general partners of the Funds and our respective principals and affiliates generally will be indemnified by the Funds in connection with any such litigation, subject to certain conditions.

Portfolio Company Projections. We generally evaluate the potential and existing Portfolio Companies on the basis of financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections, as general economic conditions and other factors out of the control of the general partners of the Funds may negatively impact the reliability of the financial projections.

Conflicts of Interest. Various actual and potential conflicts of interest exist (or may exist) among us, the general partners of the Funds, key executives, the members of a Fund's investment committee, as applicable, Operating Partners, affiliates of the general partners of the Funds, their respective employees, agents, and affiliates and the Funds, including actual and potential conflicts of interest related to fees, portfolio composition and valuation, principal and cross transactions, expense allocation, principal and other related party or conflicted transactions, treatment of other investors, limitation of liability, indemnification, allocation of investment opportunities among our various clients, outside business activities and personal trading. In addition, we provide investment management services to multiple clients (including the Capital Funds, the SG Fund and the SPVs), and may face various actual and potential conflicts of interest relating thereto. Investors ultimately will be heavily dependent upon our good faith. During the applicable Fund's term, many different types of conflicts of interest may arise and all such conflicts may not be identified herein.

Limited Diversification. The Funds generally intend to make a limited number of investments. A consequence of a limited number of investments or of similar investments is that the aggregate returns realized by the investors in a Fund may be substantially adversely affected by the unfavorable performance of a small number of these investments. Although we may seek to broaden the Funds' investment portfolio, the Funds do not have fixed guidelines for diversification and the Funds are not limited in the percentage of its capital that it may invest in any investment or type or class of investments, and as a result may invest all or a substantial portion of its assets in a particular industry. Various factors, including prevailing market conditions, may inhibit our efforts to create a broad investment portfolio. As a result, the Funds' investments may be concentrated in relatively few companies, industries and regions.

Cybersecurity Risks. We, the Funds and our respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that we or our affiliates may perform on its or the Fund's (or any other clients) service providers, it may not be in a position to verify the risks or reliability of such information technology systems. We, the Funds and our respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. We, our affiliates and our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or an affiliate may have to make a

significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our, a Fund's or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Funds or individual investors by interfering with the operations of us and our affiliates (or their service providers). The Funds may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Funds, us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Funds may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH THE FUNDS' INVESTMENT STRATEGIES OR THAT ARE APPLICABLE TO THE FUNDS OR INVESTORS. INVESTORS SHOULD CAREFULLY REVIEW THIS BROCHURE AND THE APPLICABLE OFFERING AND GOVERNING DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

Item 9: Disciplinary Information

Not applicable.

Item 10: Other Financial Industry Activities and Affiliations

RELYING ADVISERS

We are not a general or limited partner of any Fund. Instead, certain of our affiliates, including Sequel Fund II GenPar, L.P., Sequel Fund III GenPar, L.P. and SCF III/SG GenPar, L.P. (each, a “Relying Adviser” and, collectively, “Relying Advisers”), serve as general partners of the Funds and, in such capacity, may be deemed to be “investment advisers” (as such term is defined in the Advisers Act). While we and the Relying Advisers have been organized as separate legal entities, we collectively conduct a single advisory business. Accordingly, we have filed an umbrella registration with the SEC instead of separately registering each Relying Adviser as an investment adviser with the SEC under the Advisers Act. To rely on our registration, we have entered into investment management supervisory agreements with each Relying Adviser, pursuant to which, among other things, (i) the Relying Adviser, its employees and persons acting on its behalf are “persons associated with” and “supervised persons” (as each term is defined in the Advisers Act) of Sequel, (ii) the investment advisory services of the Relying Adviser, its employees and persons acting on its behalf are subject to our supervision and control, (iii) any investment advisory functions of the Relying Adviser are subject to the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of the Relying Adviser are subject to inspection and examination by the SEC. Each Relying Adviser is subject to our compliance policies and procedures and, except as the context otherwise requires, any reference in this brochure to “we,” “us,” “our” includes Sequel and the Relying Advisers. We have disclosed each of the Relying Advisers on Schedule R of Part 1 of Form ADV and are together filing a single Form ADV under an umbrella registration.

PORTFOLIO COMPANY ACTIVITIES

Certain of our employees, officers, members and/or affiliates serve (and may in the future serve) as directors, officers or committee members of the various Portfolio Companies of our clients. Such persons could face conflicts of interest between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of the applicable clients. In certain circumstances, for example, in situations involving bankruptcy or near-insolvency of the Portfolio Company, actions that may be in the best interest of the Portfolio Company may not be in the best interests of our client, or vice versa. Our affiliates may receive compensation from companies in their capacities as directors, officers or committee members and this compensation generally will not be shared with our clients; *provided* that such amounts (or a portion of such amounts) may reduce or offset all or a portion of the management fees that would otherwise be payable with respect to Fund III, as set forth in the partnership agreement of Fund III. The Operating Partners generally may retain any and all compensation they receive from Portfolio Companies, subject to the terms of the applicable governing documents. Our affiliates and employees and Operating Partners provide and may in the future provide services to enterprises that compete with Portfolio Companies for customers, suppliers, management or financial resources or in other respects. In addition, our affiliates and employees and certain Operating Partners may assist other enterprises in obtaining capital and in acquisitions and dispositions of businesses, which may conflict with the interests of the Portfolio Companies.

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

CODE OF ETHICS

We will adopt and implement a code of ethics, which sets forth standards of business conduct for our supervised persons. Our code of ethics will primarily be designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to our clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information and, the circulation of rumors and other forms of market abuse and address conflicts of interest that could arise from personal trading by access persons. Among other things, we will impose certain restrictions on access persons relating to the purchase or sale of certain securities for their own accounts and the accounts of certain affiliated persons. In addition, we will maintain a restricted list that contains issuers and securities in which supervised persons generally are not permitted to trade without the prior approval of the Chief Compliance Officer. The restricted list will include, for example, an issuer about which we and/or our affiliates may have acquired, or may otherwise be in possession of, material, non-public information. Access persons generally will be required to disclose and report their personal securities transactions and personal securities holdings. We also will maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information. We will furnish a copy of our code of ethics to clients upon request.

OTHER ACTIVITIES

Subject to the terms and conditions set forth in the applicable governing documents, our supervised persons devote as much of their time to the activities of the applicable client as they deem necessary or appropriate in their discretion. Except as otherwise set forth in the applicable governing documents, our supervised persons are not restricted or prohibited from forming or sponsoring additional private investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with a client and/or may involve substantial time and resources of us and the applicable general partner (and our respective affiliates and agents). For example, the general partners of the Capital Funds, us and our affiliates have agreed to permit (and may in the future agree to permit) certain private pooled investment vehicles, including the SG Fund, and certain large investors to invest side-by-side with the Capital Funds in connection with certain investments, and we and the general partners of the Capital Funds, vehicles, certain investors and their respective employees, agents and/or affiliates may receive fees and other benefits in connection with such investments. In the event our supervised persons decide to engage in such activities in the future with respect to any client, such supervised persons will engage in such activities in a manner that is consistent with their fiduciary duties to our clients and the terms of the applicable partnership agreement. Nevertheless, these activities could be viewed as creating a conflict of interest in that the time and effort of our supervised persons will not be devoted exclusively to the business of the applicable client but will be allocated between the business of such client and the management of the monies of other of our advisees.

GIFTS AND ENTERTAINMENT

Our supervised persons may on occasion offer or accept or provide gifts or invitations to entertainment but generally attempt to avoid any activity that would create a material conflict of interest or impropriety in the course of our business relationships. Our gifts and entertainment policy will implement internal controls to monitor such activity, including requiring supervised persons to report to, and/or obtain prior approval from, the Chief Compliance Officer before accepting or providing gifts and entertainment of significant value or that may otherwise be inappropriate under the circumstances.

POLITICAL CONTRIBUTIONS

We will adopt a political contributions policy in an attempt to facilitate compliance with Rule 206(4)-5 under the Advisers Act, which, among other things, prohibits an adviser from providing advisory services for compensation to a government entity (or a pooled investment vehicle in which a government entity invests) for a two-year period after the adviser or certain of its advisory personnel makes a contribution to an official of such government entity. Except as otherwise set forth in our political contributions policy, a supervised person generally will not be able to make a contribution to a government official, candidate for public office or political action committee without the prior approval of the Chief Compliance Officer.

TRANSACTIONS INVOLVING CONFLICTS OF INTEREST

We or our affiliate may cause our clients to enter into various transactions, arrangements and agreements involving actual or potential conflicts of interest (including, without limitation, related party transactions or investments in which we or one or more of our affiliates has a financial or other interest). We review transactions involving actual or potential conflicts of interest and endeavor to take such steps as we deem necessary or appropriate to ensure that the terms of such transactions are fair and reasonable under the circumstances.

Pursuant to the applicable governing documents, each Capital Fund has established or may establish an advisory committee or advisory board, as applicable, comprised of representatives of the limited partners appointed by the general partner of such Capital Fund. The advisory committee or advisory board, as applicable, generally is responsible for reviewing and/or approving various matters and transactions set forth in the partnership agreement of each Capital Fund, including reviewing and approving (or rejecting) proposed actions with respect to actual or potential conflicts of interest.

The general partner of each Capital Fund may in its discretion seek the approval of the advisory committee or advisory board, as applicable, in connection with (i) approvals that are or would be required under the Advisers Act, including Section 206(3) thereunder, or (ii) any other matter deemed appropriate by such general partner.

CO-INVESTMENT OPPORTUNITIES

We and/or our affiliates may, subject to the terms of the applicable partnership agreement of a Capital Fund, offer the right or opportunity to participate in investment opportunities of that Capital Fund to our related persons, certain investors and third parties whenever we determine. We generally determine which investors or other persons to allocate or otherwise offer co-investment opportunities in accordance with our Investment Allocation Policy. We generally will consider various factors deemed relevant or appropriate in our discretion including, without limitation, the size of the investor's capital commitment to the relevant Fund and the strategic value or relationship that the investor or other person may offer. We may agree in a side letter with an investor to offer the opportunity to participate in co-investment opportunities to such investor. Accordingly, if investors acquire less than the full amount of any applicable co-investment opportunity offered by the applicable general partner of a Fund or do not elect to participate within the designated time period or fail to respond to the applicable general partner, such investors will not be offered or otherwise have the opportunity to participate in any co-investment opportunities. In every instance, we will endeavor to act in the best interests of the applicable Capital Fund and to manage any conflicts in accordance with our fiduciary requirements and applicable law (which may include seeking the prior approval of the investment committee or the advisory committee, as applicable). Neither we nor our affiliates are required to or otherwise do offer or otherwise make available co-investment opportunities to all investors.

As disclosed in Item 4 above, the SG Fund has been established as a co-investment vehicle for an institutional investor in Fund III and certain of its clients to invest on a side-by-side basis with Fund III in applicable co-investment opportunities (subject to certain exceptions). The SG Fund may not necessarily co-invest alongside Fund III (or be required to co-invest alongside Fund III) in all investments made by Fund III on a going-forward basis pursuant to the terms and conditions set forth in the partnership agreement of the SG Fund. However, the SG Fund generally will invest in securities transactions in which it does participate at the same time and on the same terms as Fund III and dispose of such securities or portion thereof at the same time and on the same terms as Fund III. Certain other investors have negotiated in side letters or other agreements their desire to be offered co-investment opportunities when available.

PRINCIPAL TRANSACTIONS

Neither we nor any of our affiliates may engage in any principal transaction with a client unless it complies with applicable law and the policies and procedures relating to such transactions that are set forth in the applicable governing documents of such client. In order to ensure that it obtains the requisite consent required by Section 206(3) of the Advisers Act, neither we nor any of our affiliates generally will engage in any principal transaction with a client without the prior approval of the client's advisory committee, to the extent established (or the approval of a majority in interest of the investors of such client (or 66 2/3% in interest of the investors with respect to Fund III)).

Item 12: Brokerage Practices

BROKERAGE POLICIES

Our advisory business generally involves privately negotiated transactions with the prospective sellers and prospective buyers. Accordingly, we currently do not generally use, select or otherwise recommend broker-dealers or other counterparties in connection with the investment activities of the Funds. In the event that we are called upon to select and/or recommend broker-dealers or other counterparties to clients in the future, we will implement and adopt policies and procedures reasonably designed to ensure that such brokers are selected in a fair and equitable manner and will promptly amend our brochure to disclose such policies and procedures.

ALLOCATION OF INVESTMENT OPPORTUNITIES

Investment opportunities generally are allocated in accordance with the provisions set forth in our allocation policies and procedures and the applicable governing documents of each client. In allocating investment opportunities among the Capital Funds, any other clients or persons (including the SG Fund and the SPVs) and investors and their affiliates, we and the general partners of the Capital Funds are each generally required to act in a manner that is (i) consistent with the terms of our applicable allocation policies and procedures and the applicable governing documents of the Funds and (ii) considered to be fair, reasonable and equitable under the circumstances. The Capital Funds are not entitled to investment priority as against each other or as against such other clients or persons and the Capital Funds may not necessarily participate in every investment opportunity (or the Capital Funds may invest less than the maximum amount it otherwise has available to invest in connection with an investment). In cases where a limited amount of an investment is available for purchase, the allocation of such investment among the Capital Funds and such other funds or persons (including the SG Fund and the SPVs) or accounts or persons (including co-investors) will necessarily reduce the amount thereof available for purchase by the Capital Funds.

Subject to the terms of the applicable partnership agreement, we may establish and operate additional investment funds or enter into other investment advisory relationships with other clients in the future (including clients who are investors in one or more Funds), and such other clients may be allocated all or part of investment opportunities that would also be appropriate for a particular Fund. We and our affiliates may have differing financial interests, direct or indirect, in the performance of the Funds and other clients. As a result, we may have an incentive to favor other clients with regard to the allocation of opportunities or participation in particular investments and with regard to the terms of any transactions among funds or clients. We also may face conflicts between the interests of the Funds and the interests of other clients and between the interests of different groups of investors in the Funds. **See Item 11.**

As described in Item 4 and Item 11, the SG Fund has been established as a co-investment vehicle for an investor in Fund III to invest on a side-by-side basis with Fund III in applicable co-investment opportunities (subject to certain exceptions). The SG Fund may not necessarily co-invest alongside Fund III (or be required to co-invest alongside Fund III) in all investments made by Fund III on a going forward basis pursuant to the terms and conditions set forth in the partnership agreement of the SG Fund. The SG Fund generally will dispose of each security or portion thereof at the same time and on the same terms as Fund III and will not make any investments other than those made in parallel with Fund III and short-term investments (subject to certain exceptions).

Item 13: Review of Accounts

REVIEWS OF ACCOUNTS

Our principals conduct reviews of our clients, their investments and Portfolio Companies on at least a quarterly basis. As described in Item 10 above, certain of our employees, officers, agents and/or affiliates serve as directors, officers and/or committee members on Portfolio Companies in which our clients invest and/or will be actively involved in the operations of such companies. In connection with such activities, we monitor Portfolio Companies and the performance thereof. With respect to accounting matters, we have engaged a nationally-recognized, independent public accounting firm to conduct annual audits of the Capital Funds.

REPORTS TO INVESTORS

The Funds

In general, investors in the Capital Funds are provided with quarterly and annual portfolio reports and annual audited financial statements. The Capital Funds' financial statements for each fiscal year are prepared in accordance with U.S. generally accepted accounting principles and audited by an independent public accounting firm selected by the applicable general partner and, as applicable, with the prior written consent of the advisory committee. The Capital Funds furnish to investors within one hundred twenty (120) days after the end of each fiscal year (or as otherwise required by law) annual audited financial statements, along with any other tax information required by law. The Capital Funds generally furnish to each investor within forty-five (45) days after the end of each fiscal quarter, a report setting forth, among other things, a summary of such investor's capital account, total capital commitment and aggregate capital contributions to date with respect to the applicable Capital Fund. Additionally, the applicable general partner furnishes to each investor within ninety (90) days after the end of each fiscal quarter, an investment report providing certain information for each Portfolio Company. The general partners of the Capital Funds expect to provide Schedules K-1 on an annual basis to investors. Certain investments may cause a Capital Fund to file for an extension with respect to its own income tax return which, in turn, may cause a delay in distributing Schedules K-1 to such Capital Fund's investors. Generally, the SG Fund provides the same reports and financial statement information with respect to its investor.

We may provide additional information to a Fund's advisory committee at its meetings and/or in conjunction with completing its required activities. As provided in side letter agreements or arrangements with certain investors in the Capital Funds, we may provide additional information to such investors that is not distributed to other investors in the applicable Capital Fund.

SPVs

After the close of each fiscal year, investors in the SPVs receive certain tax information in connection with the preparation of their federal income tax returns. In addition, we may provide investors in the SPVs with other reports, notices and letters as deemed appropriate. Investors in the SPVs are urged to compare any statements they may receive from us or our agents with any statements provided by custodians.

Item 14: Client Referrals and Other Compensation

THIRD-PARTY COMPENSATION

Neither we nor any of our affiliates generally receive any economic benefit from a non-client for providing investment advice or other advisory services with respect to our clients. Nevertheless, Portfolio Companies may pay certain fees to our affiliates, including (among others), fees related to transaction advisory services and monitoring activities, onboarding fees, exit fees and transaction fees. We and/or our affiliates may also earn fees (such as break-up or topping fees) in connection with any transaction that is not consummated. **See Item 5.**

REFERRALS

We have engaged, appointed and retained, and may in the future engage, appoint or retain, certain third-party placement agent(s) in connection with the offering of interests in certain Funds or other vehicles to prospective investors. As compensation for their services, such persons receive or may receive compensation from us (or our affiliates) which consists of (among other things) (i) a percentage of the management fees and/or carried interest distributions, (ii) an allocation paid to us or our affiliates with respect to such investors and clients, (iii) a percentage of an investor's commitment, or (iv) a flat fee. Investors generally will not be charged any higher or additional fee as a result of such agreements or arrangements. In every instance, all arrangements and payments of placement agent fees will be disclosed to applicable investors.

Item 15: Custody

Due to our affiliation with the general partners of our clients, we may be deemed to have custody of our clients' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. In accordance with Rule 206(4)-2, our clients' cash and securities (except for privately placed securities) are maintained at one or more qualified custodians. The general partners are responsible for selecting qualified custodians and they may change custodians at any time and from time to time without the consent of, or notice to, investors. The names of the custodians currently engaged with respect to each client are set forth in Section 7.B of Schedule D of Part 1 of our Form ADV.

In general, and to the extent required by law, independent public auditors, which are registered with and subject to inspection by the PCAOB, conduct annual audits of the Capital Funds and the SG Fund, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are provided to investors on an annual basis. In addition, the SPVs will similarly engage independent public auditors, which are registered with and subject to inspection by the PCAOB, to conduct annual audits of the SPVs, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) will be provided to investors on an annual basis. Such statements with respect to all clients generally will be provided to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians are not expected to provide account statements directly to investors in the clients.

Item 16: Investment Discretion

DISCRETIONARY AUTHORITY

We generally provide investment advisory services and investment supervisory services to the Funds with respect to the types and amounts of investments to be bought or sold on behalf of each of the Funds. Nevertheless, the general partners of the Funds generally have the ultimate authority to make investment decisions on behalf of the Funds that are consistent with the investment objectives, policies and guidelines set forth in the applicable offering and/or governing documents. As described in Item 10 above, any investment advisory services provided by the general partners of the Funds will be subject to our supervision and control. **See Item 10.**

Notwithstanding the foregoing, as noted in Items 11 and 12 above, the SG Fund generally will dispose of each security or portion thereof at the same time and on the same terms as Fund III and will not make any investments other than those made in parallel with Fund III and short-term investments (subject to certain exceptions with respect to the SG Fund).

LIMITED POWER OF ATTORNEY

Each investor in a Fund generally grants the general partner thereof a limited power of attorney to enable the general partner to execute the applicable partnership agreement and perform certain other activities in connection therewith on its behalf.

Item 17: Voting Client Securities

While the general partners of the clients technically have proxy voting authority on behalf of the clients, they generally do not expect to be called upon to vote with respect to securities owned by the clients. Nevertheless, in the event that the general partners are called upon to vote proxies, they will vote such proxies in accordance with the proxy voting policies and procedures in our compliance manual. In general, proxy proposals, amendments, consents or resolutions are required to be voted in a manner that serves the best interests of the clients, as determined in the discretion of the general partners. The general partner of each client will attempt to identify actual or potential conflicts of interest that could compromise the independence of voting decisions when voting a proxy on behalf of a client. Where a material conflict of interest is identified, the general partners generally will attempt to resolve the conflict before voting a proxy. A general partner may determine not to vote proxies in respect of securities of an issuer if it determines that it would be in the client's overall best interest not to vote. Investors generally may not direct or otherwise influence votes with respect to any particular proxy solicitation. Clients may obtain copies of our proxy voting policy by contacting us.

Item 18: Financial Information

Not applicable.

General Information

PRIVACY POLICY

We have adopted policies and procedures that we believe are reasonably designed to protect various records and information of investors. Subject to limited exceptions, our privacy notice and, except as otherwise authorized by each investor, private information about investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of our clients.