

Vector Capital Corporation

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Vector Capital Corporation and its affiliates (collectively “Vector”). If you have any questions about the contents of this brochure, please contact David Baylor at 415-293-5000 or dbaylor@vectorcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Advisor is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

This brochure contains information about Vector upon its initial registration as an investment adviser with the SEC. There have been no material changes since its adoption.

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Advisory Business

Vector is a global private equity firm specializing in spinouts, buyouts and recapitalizations of established technology businesses. Vector was incorporated in Delaware and founded in 1998 by Alexander Slusky. Vector is controlled by Mr. Slusky, and is managed by Mr. Slusky together with David Fishman, Amish Mehta and Yunhee Yoo (collectively, the “Principals”). In addition to the Principals, there are additional investment professionals comprised of seasoned technology investors who are former CEOs, CFOs, product managers, engineers, lawyers and investment bankers who bring a wealth of investment, operational and financial expertise and experience to Vector and its affiliates (collectively, the “Vector Team”).

Vector serves as an investment manager and provides discretionary advisory services to several related collective investment vehicles, including private investment partnerships and foreign investment companies, together with any respective parallel funds, special purpose, alternate investment or subsidiary investment vehicles (the “Vector Funds”).

The Vector Funds are organized into two core strategies, private equity and credit (the “Equity Funds” and the “Credit Funds”). The Equity Funds primarily pursue private equity investments in technology businesses, including buyouts, spinouts, turnarounds and recapitalizations. The Credit Funds focus on special credit opportunities in middle market companies in the software, hardware, media, telecom, and business services sectors.

As of January 31, 2012, Vector managed \$2,059,000,000 of assets on behalf of the Vector Funds.

Overall, the investment activities of the Equity Funds are directed by an investment committee comprised of Messrs. Slusky, Fishman and Mehta, and the activities of the Credit Funds are directed by an investment committee comprised of Messrs. Slusky and Fishman and Ms. Yoo. In providing its services to each Vector Fund, Vector and the Vector Team evaluate, direct and manage the investment and reinvestment of the assets of the fund, and provide reports to investors, in accordance with the terms of an investment management agreement and the fund's confidential offering memoranda, partnership agreement, investor subscription agreements, and any other governing documents applicable to the fund (the "Governing Fund Documents").

Vector provides investment advice to the Vector Funds and not individually to the investors in the Vector Funds. Vector has full discretionary authority to purchase or sell investments for the Vector Funds, with certain limited exceptions for approval rights by investors for specific tax or regulatory considerations provided for in the Governing Fund Documents.

Interests in the Vector Funds are privately offered only to qualified investors pursuant to exemptions available under the Securities Act of 1933, as amended (the "Securities Act"), and the regulations promulgated there under, and the Vector Funds are not registered with the SEC as investment companies based on specific exclusions from the Investment Company Act of 1940, as amended ("1940 Act"). Typically, interests in the Vector Funds are offered to institutional investors and high net worth individuals.

Fees and Compensation

Vector typically charges asset-based advisory fees to the Vector Funds, including management fees based on a percentage of assets under management, carried interest allocations and certain other fees or expenses related to transactions, all in accordance with the Governing Fund Documents. Such advisory fees are generally payable quarterly in advance and are generally paid after the date payable.

Vector's management fee is typically in the range of 1.5 to 2.5 percent of third-party investors' committed capital or capital account. Management fees are prorated for partial periods. Vector has the right to waive, reduce or calculate differently, from time to time, all or part of the management fee with respect to one or more investors without waiving, reducing or calculating differently the management fee with respect to other investors.

In addition, Vector may receive customary monitoring and directors' fees and financing, divestment and other similar fees in connection with portfolio investments of the Equity Funds as compensation for financial advisory and similar services provided to the Equity Funds' portfolio companies. Such fees received from portfolio companies of a Vector Fund typically reduce the management fees otherwise payable to Vector by the Vector Fund. The Governing Fund Documents of each Vector Fund set forth the extent to which such fees reduce management fees.

Vector Funds typically allocate a portion of their investment profits to their affiliated general partners as an incentive for Vector to maximize performance of the fund. These "carried interest"

allocations are typically 20% for the Vector Funds. Carried interest allocations are in addition to any investment that the general partner may have in a Vector Fund.

Vector Funds typically reimburse Vector for expenses Vector incurs on their behalf. These expense reimbursements are disclosed to investors in the Governing Fund Documents and are in addition to the advisory fees discussed above. Each Vector Fund also generally bears all of the expenses relating to its own activities, operations and meetings including, without limitation, fees, costs and expenses directly related to the discovery, investigation, development, making, management, monitoring and disposition of investments (including any such costs and expenses incurred by Vector and any such costs and expenses relating to potential investments that are not consummated); fees and expenses of custodians, consultants, economists, outside counsel and accountants; the cost of insurance; any taxes, fees or other governmental charges levied against the Vector Fund; expenses relating to any audit, investigation, governmental inquiry or public relations undertaking; and the costs and expenses of any litigation relating to the activities or operation of the Vector Fund and the amount of any judgments or settlements paid in connection therewith, relating to the business, activities and interests of the Vector Fund.

Performance Based Fees and Side-by-Side Management

As described above, Vector or an affiliated general partner is typically allocated a portion of the investment profits from each Vector Fund as an incentive for Vector to maximize performance of the Vector Fund. The fact that a significant portion of Vector's compensation (and the compensation of the Principals) is directly computed on the basis of investment profits generated by Vector Funds may create an incentive for Vector to make investments on behalf of the Vector Funds that are riskier or more speculative than would be the case in the absence of such compensation.

Types of Clients

Vector provides discretionary investment advisory services directly to the Vector Funds, subject to any limitations included in the Governing Fund Documents, and does not provide investment advice to the investors in the Vector Funds. Investors in the Funds may include high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

The minimum commitment for an investor in a Vector Fund is outlined in the Governing Fund Documents; however Vector maintains discretion to accept less than the minimum investment threshold. In addition, the Vector Funds may enter into separate agreements, commonly referred to as "side letters", with certain investors, to waive certain terms, grant certain preferential liquidity rights, or allow such investors to invest on different terms than those specifically described in the Governing Fund Documents. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors. Subject to applicable law, Vector does not intend to disclose the terms of such side letter agreements and does not intend to disclose the identities of the Investors that have entered into such agreements.

Investors in Vector Funds are required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Rule 501(a) of Regulation D under the

Securities Act. Also, investors are required to make certain representations when investing in a Vector Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the Vector Fund. Details concerning applicable investor suitability criteria are set forth in the respective Vector Fund's offering documents and subscription materials, which are furnished to each investor.

Methods of Analysis, Investment Strategies and Risk of Loss

Private Equity. The Equity Funds make investments in operating companies through buyouts, spinouts and recapitalizations of technology businesses. Vector is differentiated by a willingness to invest in both public and private companies, a focus on special situations and turnarounds, a geographic strategy of investing mainly outside of Silicon Valley, extremely active involvement in portfolio companies and its ability to leverage its industry expertise across its portfolio.

The Equity Funds pursue investments in businesses that have difficulty accessing traditional sources of capital. These businesses are often in periods of transition or distress and require significant investments of time and capital to maximize their potential value. Special situations require innovative sourcing, rigorous due diligence, financial sophistication and complex structuring. They also require a willingness to stay focused on a potential transaction over many months and sometimes years.

Vector performs analytical due diligence and emphasizes company fundamentals, such as industry positioning, balance sheet strength and discounted cash flows, when valuing potential investments. Vector has established rigorous quantitative and qualitative criteria for its investments. These criteria help Vector to identify opportunities with an emphasis on scalable operations, undervalued assets and the ability to drive operating performance.

Credit. The Credit Funds seek attractive risk-adjusted total returns by pursuing an investment strategy primarily focused on investments in bank loans, debt and debt-related securities of middle market companies in the software, hardware, media, telecom, and business services sectors, but may also invest across a diverse set of industries, sectors and regions. The Credit Funds may also acquire equity interests, including preferred and common, and may seek exposure to equity and credit investments synthetically through derivatives, such as swaps, options and other instruments.

In managing the Credit Funds, Vector is guided by an investment philosophy that stresses risk control and consistency, and that capitalizes on special situations presented by inefficiencies in the credit markets. Its approach to credit investing is rigorous and deeply analytical, with an emphasis on business fundamentals, such as recurring revenue, financial performance, competitive positioning and product strategy.

Risks

All investing involves a risk of loss that investors should be prepared to bear. The descriptions contained below are a brief overview of the material risks related to Vector's investment

strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Vector Funds. Please refer to the applicable Governing Fund Documents for more complete information regarding these and other risks associated with an investment in a Vector Fund.

Investment Risks – Equity Funds

Investments in unseasoned companies. The Equity Funds may invest a portion of assets in privately-held, technology companies without histories of profit and stability. These companies may require considerable additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Typically, although the Equity Funds may be represented by at least one person associated with Vector on a portfolio company's board of directors, each portfolio company will be managed on a day-to-day basis by its own officers (who generally will not be affiliated with Vector). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

Buyouts, spinouts, divestitures, take-privates investments. The Equity Funds intend to invest a significant portion of its assets in buyouts, spinouts, divestitures, take-privates, turnarounds and corporate restructurings. Such investments are usually made in distressed companies with troubled operations, organization, management, products or services. Such portfolio companies are generally mature and may have had a history of substantial negative operating results. As a result, the Equity Funds will likely be required to invest substantial amounts of capital and time in such entities. The Equity Funds would make such investments under the assumption that Vector will be able to assist with the turnaround of such companies. There is no guarantee that the Equity Funds will have sufficient capital to support such portfolio companies or that Vector will possess, or properly use, the skills or resources necessary to achieve a positive result. In addition, if Vector is unable effectively assist such distressed companies, there is significant risk that the Equity Funds will not be able to recoup any of its investment in such entity. Furthermore, such investments generally require a considerable amount of Vector's time and human capital. As such, the period within which a gain, if any, would be realized from such investments may be considerably longer than other investments.

PIPE investments. The Equity Funds may also make investments in the securities of portfolio companies that have gone public and in the securities of other publicly traded companies. Such public company securities may be thinly traded, relatively illiquid or may cease to be publicly traded after the Equity Funds invest. These investments may also be in PIPE investments (i.e., private investments in public equities) that the Equity Funds will generally not be able to sell or distribute unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, since the Equity Funds may take large ownership positions as part of PIPE transactions, even after the securities are saleable, it may take a significant period of time for them to be sold or distributed in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Equity

Funds may be prohibited by contract or law from selling such public company securities for a period of time. In addition, the Equity Funds' sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Equity Funds' profitability. Disposition of the Equity Funds' public company investments are likely to result in distributions-in-kind to Limited Partners.

Lack of diversification. The Equity Funds are not subject to any diversification requirements and may invest in a limited number of companies, sectors, countries, or regions. The Equity Funds may invest a portion of its assets in privately-held, technology companies without histories of profit and stability. These companies may require considerable additional capital to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage. To the extent the Equity Funds concentrate its investments in a particular company, sector, country, or region, its investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, country, or region. As a consequence, the aggregate return of the Equity Funds may be adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which the Equity Fund have invested. In certain cases, the Equity Funds may acquire majority or 100% interests in a limited number of portfolio companies, which could further increase the vulnerability of the Funds' portfolio. Currently, the Equity Funds intend to focus its investments primarily in software and information technology companies, and any downward trends in such sectors could have a material adverse effect on the Equity Funds' performance.

Availability of investment capital. Investments in both growing and distressed companies often require a large initial investment with a commitment of continued financial support. If an investor does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the portfolio company and the value of such investor's original investment. Although it will be the Equity Funds' policy to maintain sufficient liquidity to allow it to participate in follow-on rounds of financings, the Equity Funds may not intend to provide all necessary follow-on financing. In such cases, third-party sources of financing will be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Equity Funds.

Lack of liquidity within investment portfolio. The marketability and value of each of the Equity Funds' investments will depend upon many factors beyond Vector's control. Generally, the investments made by the Equity Funds will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of the Equity Funds' investment, a portfolio company may lack one or more key attributes (e.g., operational stability, consistent profitability, or complete management team) necessary for success. There may be no readily available market for the Equity Funds' investments, and the disposal of a portfolio investment by the Equity Funds may be prohibited or delayed many years from the date of initial

investment for legal, contractual and/or regulatory reasons. The public market for software and information technology companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Equity Funds to dispose of investments, and the value of investment securities on the date of sale or distribution by the Funds.

Risks of certain dispositions. In connection with the disposition of an investment in a portfolio company or otherwise, the Equity Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Equity Funds.

Non-controlling investments. The Equity Funds may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. However, as a condition to an investment in a portfolio company, it is expected that appropriate rights generally will be sought to protect the Equity Funds' interests to the extent possible. There can be no assurance that such minority shareholder rights will be available.

Controlling investments. The Equity Funds may own a majority of the a portfolio company and be able to elect one or more of its directors. With respect to an investment in a distressed company, Vector may elect to insert certain of its employees or affiliates into key management positions within such company to assist in the entity's turnaround. As a result, the Equity Funds may be viewed as controlling such a portfolio company, or being a controlling shareholder. To the extent the valuation of such a portfolio company decreases, the Equity Funds may be exposed to lawsuits by discontented minority shareholders. Even if such lawsuits prove to be without merit, the Equity Funds may be required to expend significant resources defending itself and its affiliates.

Economic & political risks. To the extent the Equity Funds make investments in companies with headquarters, or substantial assets, outside of the United States, such investments may be subject to additional economic and political risks. Governments of many foreign countries have exercised and continue to exercise substantial influence over many aspects of the private sector. Accordingly, future government actions could have a significant effect on the economic environment in such countries, which could affect the availability, purchase price, and returns of portfolio investments of companies affected by such governments.

Foreign currency & exchange rate risks. Fund assets and income of investments made outside the United States may be denominated in various currencies. Contributions and distributions, however, will be denominated in U.S. dollars. As a result, the return of the Funds on any non-US investment may be adversely affected by fluctuations in currency exchange rates, any future imposed devaluations of local currencies, inflationary pressures, and the success of the investment itself. As a general policy, the Funds do not intend to engage in hedging against currency risk. In addition, the Funds may incur costs in connection with conversions between various currencies.

Investment Risks – Credit Funds

General investment risks. All investments risk the loss of capital. Vector believes that the Credit Funds' investment program and research techniques moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that the Credit Funds' investment program will be successful. The Credit Funds' investment program may use such investment techniques as margin transactions, short sales, leverage and the use of synthetic instruments, such as swaps, options on securities, forward contracts and other derivative instruments, which practices can, in certain circumstances, magnify the adverse impact that any losses may have on the Credit Funds.

Effect of general economic and market conditions on the Credit Funds' activities; uncertain environment. The success of the Credit Funds' activities will be affected by general economic and market conditions such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in law (including laws relating to taxation of the Credit Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of the Credit Funds' investments. Volatility or illiquidity could impair the Credit Funds' profitability or result in losses. The Credit Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

The current global economic and political climate continues to be one of uncertainty. A climate of uncertainty may reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, reducing the accuracy of Vector's financial projections. Furthermore, such uncertainty may have an adverse effect upon the companies in which the Credit Funds make investments. Unpredictable or unstable market conditions may also make it more difficult for the Credit Funds to exit and realize value from its investments. The current political environment could also create additional regulatory burdens.

It is important to understand that the Credit Funds could incur material losses even if Vector reacts quickly to difficult market conditions, and the Credit Funds may suffer material adverse effects from broad and rapid changes in market conditions.

Fixed income securities and loans. The Credit Funds will invest in bonds or other fixed income securities of U.S. and non-U.S. issuers, including bank debt, bonds, notes, debentures and commercial paper, as well as derivatives thereon. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Credit Funds invest may change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities and bank loans can fluctuate in response to perceptions of creditworthiness, foreign exchange rates, political stability or soundness of economic policies. Fixed income securities and bank loans are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

Bank loans. The Credit Funds' investment program may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of Vector to directly enforce its clients' rights with respect to participations. In analyzing each bank loan, Vector compares the relative significance of the risks against the expected benefits of the investment.

Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Low quality distressed credit. There is no minimum credit standard that is a prerequisite to the Credit Funds' investment in any security. The Credit Funds may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems or that are involved in bankruptcy or reorganization proceedings. Although these securities may offer the potential for high returns, they also may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate or disenfranchise particular claims. The market prices of such securities are also subject to abrupt and erratic price movements and above-average price volatility, and the spread between the bid and asked prices of such securities may be greater than those prevailing in other securities markets. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (*e.g.*, due to failure to obtain requisite approvals), will be delayed (*e.g.*, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Credit Funds of the security in respect to which such distribution was made.

Risks associated with bankruptcy cases. The Credit Funds may invest in financially troubled companies and companies either currently in, or that may enter into, Chapter 11 bankruptcy or insolvency proceedings. Many of the events within bankruptcy or insolvency proceedings are adversarial and are often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, the Credit Funds. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor.

As the duration of bankruptcy cases can be only roughly estimated, the reorganization process can involve substantial legal, professional, and administrative costs to a company and/or the Credit

Funds, and is subject to unpredictable and lengthy delays. In addition, during the process a company's competitive position may erode, key management may depart, and the company may not be able to invest adequately. In some cases, a company may not be able to reorganize and may be required to liquidate assets. Decisions by Vector to invest in the debt of such companies may not be protective of the Credit Funds' economic interests, as the debt of companies in the process of financial reorganization generally will not pay current interest, may not accrue interest during reorganization, and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

There exists a significant risk that the Credit Funds' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, a class. In addition, certain administrative costs and claims (for example, claims for taxes) that have priority by law over the claims of certain creditors may be quite high.

The Credit Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction or forfeiture by the Credit Funds.

Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

Participation on Creditors' Committees. Vector employees may serve on committees formed by creditors ("**Creditors' Committees**") to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. Vector may also seek to negotiate directly with debtors with respect to restructuring issues. Even if Vector chooses to join a Creditors' Committee, there can be no assurance that it would be successful in obtaining results favorable to clients in such proceedings, and clients may incur significant legal fees and/or other expenses in attempting to do so, as Creditors' Committees generally consist of many participants, each of which attempts to obtain an outcome that is in its individual best interests. As a result of Vector's service on such Creditors' Committees, Vector may be deemed to have duties to other creditors represented by the Creditors' Committees, which might thereby expose the Credit Funds to liability to such other creditors who disagree with Vector's actions.

Vector employees may serve on Creditors' Committees or other groups to ensure preservation or enhancement of the Credit Funds' position as a creditor. A member of any such Creditors' Committee or group may owe certain obligations generally to all parties similarly situated that the Creditors' Committee represents. If Vector concludes that its obligations owed to the other parties as a Creditors' Committee or group member conflict with its duties owed to the Credit Funds, it will resign from that Creditors' Committee or group, and the Credit Funds may not realize the benefits, if any, of Vector's service on the Creditors' Committee or group. Additionally, if the Credit Funds are represented on a Creditors' Committee or group, they may be restricted or

prohibited under applicable law from disposing of investments in the subject company while they continue to be represented on such Creditors' Committee or group.

“Widening” risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Credit Funds invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even lower levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

Leverage. While Vector does not currently intend to use significant amounts of leverage in the Credit Funds' investment program at the outset, there are no fixed limits on the amount of leverage that the Credit Funds may use. To the extent that Vector does determine to incorporate leverage in the Credit Funds' investment program, the Credit Funds may borrow money and employ other forms of leverage when Vector deems appropriate in seeking to enhance the Credit Funds' returns, or in order to finance the payment of withdrawal proceeds to withdrawing Limited Partners.

The use of leverage may enable the Credit Funds to achieve a higher rate of return than would be otherwise possible. Accordingly, the Credit Funds may employ a modest amount of leverage in order to obtain investment returns. Leverage may take the form of derivative instruments that are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps, futures and forwards.

The use of leverage will allow the Credit Funds to borrow in order to make investments, thereby increasing their exposure to assets, such that their total assets are greater than their capital. The use of leverage will magnify the volatility of changes in the value of the investments of the Credit Funds. The cumulative effect of the use of leverage by the Credit Funds in a market that moves adversely to their investments could result in substantial losses to the Credit Funds, which would be greater than if the Credit Funds were not leveraged.

Derivatives. The Credit Funds may invest in complex derivative instruments that seek to modify or replace the investment performance of particular securities or other investments on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investor. These investments are all subject to additional risks that can result in a loss of all or part of an investment, in particular, interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have leverage embedded in them that can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which the Credit Funds may effect derivative transactions are OTC or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Credit Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty (See “—Counterparty Risk,” below).

Options. Vector may buy or sell (write) both call options and put options (either exchange-traded, over-the-counter or issued in private transactions) for the Credit Funds, and when it writes options it may do so on a “covered” or an “uncovered” basis. A call option is “covered” when the writer owns securities of the class and amount of those as to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. The Credit Funds’ options transactions may be part of a hedging tactic (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which the Credit Funds have the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Credit Funds may enter into.

When the Credit Funds buy an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, would result in a total loss of the Credit Funds’ investment in the option (including commissions). When the Credit Funds sell (write) an option, the risk can be substantially greater than when they buy an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. Theoretically, the risk is unlimited unless the option is “covered.”

Credit default swap agreements. The “buyer” in a credit default contract (a “**credit default swap agreement**” or “**CDS**”) is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay or obligation acceleration. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or physical delivery of the reference obligation in return for payment of the face amount of the obligation. The Credit Funds may be either a buyer or seller in the transaction. If the Credit Funds are a buyer and no credit event occurs, the Credit Funds may lose its investment (or premium) and have no recovery. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Credit Funds receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations.

Credit default swaps involve greater risks than if the Credit Funds had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Credit Funds.

Given the recent sharp increases in volume of credit derivatives trading in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by

counterparties. Such delays may adversely affect the Credit Funds' ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Counterparty risk. Some of the markets in which the Credit Funds may effect transactions are OTC or "interdealer" markets. The participants in such markets typically are not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such "over-the-counter" transactions. This exposes the Credit Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Credit Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Credit Funds has concentrated its transactions with a single or small group of counterparties. Vector is not restricted from dealing with any particular counterparty or from concentrating any or all of the Credit Funds' transactions with one counterparty. Moreover, Vector has no formal credit function which evaluates the creditworthiness of the Credit Funds' counterparties. The ability of the Credit Funds to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Credit Funds.

Illiquid investments; special investments. The Credit Funds may make investments that are subject to legal or other restrictions on transfer or for which no liquid market exists, such as private placements. Illiquidity increases risk and volatility and may make it impossible to close out positions against which the market is moving or to realize such positions' value at the time of sale, and may cause substantial delays in the payment of withdrawal proceeds. Vector may designate certain of the Credit Funds' illiquid investments as Special Investments, and place them in Special Investment Accounts, which the Credit Funds generally will account for separately until liquidated or marked to market, which may be for a period of several years.

Short selling. The Credit Funds may engage in short selling as part of its investment strategies. A short sale involves the sale of a security that a client does not own in the hope of purchasing the same security at a later date at a lower price. To make delivery to the buyer, the client must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security. The client realizes a profit or a loss as a result of a short sale if the price of the security decreases or increases, respectively, between the date of the short sale and the date on which the client covers its short position (*i.e.*, purchases the security to replace the borrowed security). A short sale involves the theoretically unlimited risk of an increase in the market price of the security that would result in a theoretically unlimited loss.

Highly volatile markets. The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts and other derivative contracts in which the Credit Funds may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene,

directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Credit Funds also is subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses.

Inside information; inability to vote certain positions. From time to time, Vector or its affiliates may be in possession of material, non-public information concerning the issuer of securities in which the Credit Funds has invested, or in which it intends to invest. The possession of such information may limit the ability of the Credit Funds to buy or sell such securities or other instruments. Accordingly, the Credit Funds may be required to refrain from buying or selling such securities or other instruments at times when Vector might otherwise wish the Credit Funds to buy or sell such securities or other instruments even if such information was obtained in the context of investment activities of other funds or accounts managed or advised by Vector. In addition, as a result of voting agreements or other arrangements relating to certain issuers, securities or instruments in which the Credit Funds are invested, Vector or its affiliates may also be subject to restrictions on their ability to vote or take other actions with respect to such issuers or securities. In such situations, Vector may not be able to vote or take other actions with respect to such issuers or securities in the manner that it otherwise would believe to be in the best interests of the Credit Funds.

Non-U.S. investments. The Credit Funds may invest in securities of non-U.S. companies, in countries other than the United States and in securities of non-U.S. government entities. Investments outside the United States or denominated in non-U.S. currencies pose currency exchange risks as well as a range of other potential risks that could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Further, non-U.S. securities markets may not be as liquid as U.S. markets. Transaction costs of investing outside the United States are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States, and there is greater difficulty in taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Credit Funds' performance.

Other hedging strategies. The Credit Funds, directly or indirectly, may opt to use a variety of financial instruments such as derivatives, options, swaps, caps and floors and forward contracts, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Credit Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) protect the Credit Funds' unrealized gains in the value of the Credit Funds' investment portfolio, (iii) facilitate the sale of any such investments, (iv) establish a position as a temporary substitute for other securities, (v) enhance or preserve returns, spreads or gains on any investment in the Credit Funds' portfolio, (vi) hedge the interest rate or currency exchange rate on any of the Credit Funds' liabilities or

assets, (vii) protect against any increase in the price of any securities the Credit Funds anticipates purchasing at a later date or (viii) for any other reason that Vector deems appropriate.

Vector is not required to attempt to hedge portfolio positions in the Credit Funds and, for various reasons, may not to do so. While the Credit Funds may enter into hedging transactions in seeking to reduce risk, such transactions may result in a poorer overall performance for the Credit Funds than if it had not engaged in any such hedging transaction. For a variety of reasons, Vector may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Credit Funds from achieving the intended hedge or expose the Credit Funds to risk of loss. The success of the hedging strategy of the Credit Funds is subject to Vector's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Credit Funds' hedging strategy is also subject to Vector's ability to recalculate continually, readjust and execute hedges in an efficient and timely manner. Moreover, it should be noted that the portfolio always will be exposed to certain risks that cannot be hedged, such as certain credit risk (relating both to particular securities and counterparties with respect to which CDS protection is unavailable), "liquidity" risk and "widening" risk.

Disciplinary Information

Neither Vector nor its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's or a prospective investor's evaluation of Vector or its personnel.

Other Financial Industry Activities and Affiliations

Vector is affiliated with a group of entities (identified below) that provide investment advisory and other services to the Vector Funds.

Vector Capital Partners IV, L.P.	Serves as general partner to Vector Capital IV, L.P.
Vector Capital Partners III, L.P.	Serves as general partner to Vector Capital III, L.P., Vector Entrepreneur Fund III, L.P., VZB SafeNet Investors, L.P., and VP Stealth Investors, L.P.
Vector Capital Partners II, LLC	Serves as general partner to Vector Capital II, L.P., Vector Entrepreneur Fund II, L.P., and Vector Member Fund II, L.P.
Vector Capital Partners II International, Ltd.	Serves as general partner to VP Corel International Investors, L.P. and VZB Corel International Investors, L.P.
VCP Credit, LLC	Serves as general partner to Vector Capital Credit Opportunity Fund, L.P., Vector Capital Credit Opportunity Offshore Fund, Ltd and VZBFI, L.P.

Employees of Vector typically serve as directors of Vector Fund portfolio companies and, in that capacity, will be required to make decisions in the best interests of such portfolio companies and their shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, decisions that may be in the best interests of the portfolio company may not be in the best interests of the Vector Funds, and vice versa. In these situations, there will be conflicts of interest between such individual's duties as an employee of Vector and their duties as a director of such portfolio company.

Vector and employees of Vector may execute transactions for their own accounts, subject to restrictions and reporting requirements as may be required by law, and as set forth in the Governing Fund Documents or as otherwise determined from time to time by Vector. Execution of such transactions may be a conflict of interest.

The Principals and the rest of the Vector Team will be required to devote only such portion of their time to the affairs of the Funds as they consider appropriate in their judgment to manage effectively the affairs of the Vector Funds. Other activities of such persons may require them to devote substantial amounts of their time to matters unrelated to the business of the Vector Funds.

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

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), Vector has established a written Code of Ethics (the "Code") that sets forth standards of ethical conduct for employees and is designed to address and avoid potential conflicts of interest. Among other things, the Code establishes guidelines for dealing with clients ethically, making personal trading and investments, gifts and entertainment, and personal political activities. The Code is applicable to the Vector Team and all other employees of Vector. A copy of Vector's Code is available upon request.

Vector generally prohibits Vector employees from purchasing or selling securities that are held by the Vector Funds; requires pre-clearance before purchasing an IPO or limited offering (i.e., private placement); requires periodic reporting of personal securities transactions and holdings; and requires prompt internal reporting of Code violations. Vector endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity.

Vector also generally prohibits employees from purchasing or selling securities of companies for certain business or legal reasons, including that Vector may have material non-public information regarding the company. Such companies will appear on a "restricted list" that is circulated to all employees. Employees may not purchase or sell any securities of any company on the restricted list, or any derivatives thereof, without obtaining prior approval from a compliance officer.

The general partner will typically be committed to contribute 2% of the capital of each Equity Fund. In addition, certain employees may be permitted to invest an additional amount in the Equity Funds or in particular investments by the Equity Funds. These investments and the potential conflicts of interest arising therefrom are disclosed in the respective Governing Fund Documents.

From time to time, Vector may determine that it is reasonable and appropriate to allocate investment opportunities among Vector Funds, investors in Vector Funds, members of the Vector Team, and other investors. Such allocations will be made on a basis that Vector determines in good faith to be fair and reasonable taking into account all the relevant facts and circumstances, including among other things (i) applicable restrictions on the amount a Vector Fund may invest in a single opportunity, (ii) capital remaining available for investment by a Vector Fund, (iii) portfolio construction considerations, (iv) the financial resources of an investor, and (v) the strategic value of including a particular investor.

As a result of its typical fee structure, Vector or its affiliated general partners generally have an interest in investments made by the Vector Funds. See “*Fees and Compensation*” and “*Performance Fees and Side-by-Side Management*.”

Brokerage Practices

In selecting brokers, banks and dealers to effect investment transactions for the Vector Funds, Vector may consider such factors as price, the ability of the brokers, banks and dealers to effect transactions, their facilities, reliability and financial responsibility, as well as any products or services provided, or expenses paid, by such brokers, banks and dealers. Products and services may include research items used by Vector in making investment decisions. Such “soft dollar” benefits may cause the Vector to execute a transaction with a specific broker, bank or dealer even though it may not offer the lowest transaction fees.

Vector has no formal arrangements with specific brokers, banks or dealers to receive any soft dollar benefits in exchange for brokerage commissions from Vector Fund transactions. However, brokers or dealers may be selected who provide research reports and services to Vector, including: proprietary broker-dealer company research and analyses; oral and written reports, statistics and advice about the economy, industries and individual securities’ or company investment opportunities; and reports on underwriting activity, bank rates, loan defaults, loan new issuance volumes and other capital markets statistics, both of which may be attractive for one or more Vector Fund; and opportunities to confer with company management. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for Vector Funds in excess of those that other broker-dealers not providing such services might charge so long as Vector determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the accounts over which Vector exercises investment discretion. Recognizing the value of the brokerage and research services provided, Vector may allow a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

Vector will periodically evaluate the overall reasonableness of the brokerage commissions paid to broker-dealers with respect to Vector Fund transactions by, among other things, seeking to compare such commissions with the commission rates being charged by other comparable broker-dealers. Vector will also periodically review the past performance of the broker-dealers with whom it has placed orders to execute Vector Fund transactions in light of the factors discussed above.

Review of Accounts

Oversight and Monitoring. The investment portfolios of the Equity Funds are generally private, illiquid and long-term in nature. Vector's review of them is not directed toward a short-term decision to dispose of securities. However, Vector closely monitors the performance and operations of the portfolio companies of the Vector Funds and generally maintains an ongoing oversight position in such portfolio companies. In particular, Vector typically maintains one or more board positions with each portfolio company and the Vector Team meets regularly to discuss the historical and projected performance of the portfolio companies, as well as economic developments, industry outlook and other issues that might affect the portfolio companies.

With respect to investments made by the Credit Funds, such as investments in bank loans, financings, originations and related credit, existing positions are continually reviewed and analyzed by the investment team and investment committee for the Credit Funds.

Reporting. Vector generally does not provide formal written reports to any Vector Funds. However, Vector typically provides quarterly and annual reports to all investors in the Vector Funds in accordance with the terms of the applicable Governing Fund Documents. Vector also provides audited financial statements annually.

New investors in Vector Funds are provided with a copy of this brochure before making an investment or commitment to a Vector Fund

Client Referrals and Other Compensation

The affiliated general partner of a Vector Fund may charge portfolio companies monitoring, acquisition, disposition, financing and other similar fees. Also, Vector Team members who serve on the boards of directors of portfolio companies of a Vector Fund may receive cash compensation, options or restricted stock in their capacity as directors. A percentage of such fees and other benefits paid by portfolio companies will be applied to reduce the management fees otherwise payable by the Vector Funds.

Vector may retain third-party brokers, solicitors or finders. The fees and expenses payable to any such brokers, solicitors or finders will not be borne by the investors of the Vector Fund, but will instead be borne by Vector or the affiliate general partner, either directly or indirectly through an offset against the management fees, carried interest or otherwise.

Custody

Vector uses unaffiliated, third-party qualified custodians to hold the assets of the Vector Funds in a manner that it believes complies with current SEC standards and guidance. For example, these qualified custodians maintain the assets of the Vector Funds in a manner that segregates them from assets for other clients of the custodian.

Because the general partner of each Vector Fund is an affiliate of Vector, however, Vector has access to the accounts of Vector Funds and is therefore deemed to have custody of the underlying assets of the Vector Funds. Vector relies on an exception available to "pooled investment vehicles" from the reporting and surprise audit obligations imposed by the SEC's custody rule;

whereby the assets of the Vector Funds are generally subject to a year-end audit by an independent accounting firm in accordance with generally accepted accounting standards. The audited financial statements are then provided to the underlying investors of these Vector Funds within 120 days of the end of the fiscal year.

Investment Discretion

Pursuant to the Governing Fund Documents of each Vector Fund, Vector generally has discretionary authority to perform the day-to-day investment operations of the Vector Funds. Vector has full discretionary authority to purchase or sell investments for the Vector Funds, with certain limited exceptions for approval rights by its Investors for specific tax or regulatory considerations, as dictated by the Governing Fund Documents.

Voting Client Securities

Vector has authority to vote public company equity and debt securities and other debt instruments (*e.g.*, loans) held by Vector Funds, and therefore has adopted policies and procedures that it believes are reasonably designed to comply with the requirements of the Advisers Act. The proxy voting policies and procedures reflect Vectors commitment to vote such instruments in a manner consistent with the best interests of the Vector Funds.

Vector votes all proxies with the intent of maximizing the long term economic value of the relevant Vector Funds' holdings. Vector does not permit proxy voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the general policy of Vector to vote or to give consent on all matters presented to security holders in any proxy, and its policies and procedures have been designed with that policy in mind. However, Vector Capital may abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of certain Vector Team members, the costs associated with voting such proxy outweigh the benefits to the applicable Vector Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the applicable Vector Funds.

Vector's Chief Compliance Officer is responsible for monitoring proxy decisions for any actual or perceived conflicts of interest. All proxy voting decisions require a mandatory conflicts of interest review by the Chief Compliance Officer, which includes consideration of whether Vector or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. When the Chief Compliance Officer deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts.

A copy of Vector's written proxy voting policies and procedures, as well as a record of how Vector has voted in the past, will be maintained and available for review upon written request.

Financial Information

Vector has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Vector Funds.