

SPECTRUM EQUITY

Spectrum Equity Management, Inc.

Form ADV Part 2A

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This brochure (this "Brochure") provides information about the qualifications and business practices of Spectrum Equity Management, Inc. (formerly Applegate & Collatos, Inc. and, together with its affiliates, referred to herein as "SEM"). If you have any questions about the contents of this Brochure, please contact us at 415.464.4600 or via email at Carolina@spectrumequity.com. 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.

Additional information about SEM is also available on the SEC's website at www.adviserinfo.sec.gov.

REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT SEM OR ANY OF THE PRINCIPALS OR EMPLOYEES OF SEM POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY BUSINESS OR ANY OTHER BUSINESS.

Item 2 - Material Changes

This Brochure, dated as of March 29, 2019, has been prepared in connection with SEM's annual update with the SEC as an investment adviser. This Item 2 sets forth a brief summary of any material changes to our disclosure since our last annual updating amendment in 2018. Relevant changes since our last annual updating amendment are:

- Certain clarifications regarding Spectrum's management of employee investment funds;
- Certain updates and clarifying amendments to the section entitled "Performance-Based Fees and Side-by-Side Management".

In addition, this Brochure contains other routine annual updates.

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Item 4 - Advisory Business

Spectrum Equity Management, Inc., together with certain affiliates (collectively, "SEM"), provides investment advisory services to a series of private equity funds (the "Spectrum Funds") that specializes in growth stage investments in private companies. SEM was founded in 1993 and the first Spectrum Fund was established approximately one year later in 1994. To date, SEM has provided management services to all Spectrum Funds. Spectrum Equity Management, Inc. is wholly-owned by Spectrum Equity Management, L.P. The principal owners of Spectrum Equity Management, L.P. are Christopher T. Mitchell, Victor E. Parker, Benjamin C. Spero, Brion B. Applegate and William P. Collatos.

The Spectrum Funds' investment activity, and consequently SEM's advisory business, is principally focused on growth stage investments in service businesses. The Spectrum Funds primarily seek investment opportunities in private companies with established business models that are run by experienced management teams and that present opportunities for future growth, either organically, through acquisition, or both.

The Spectrum Funds' investment activity is focused on business services, information services, digital media, software, and internet related growth sectors. The Spectrum Funds' investment portfolios include private companies and public companies. As either a minority or majority investor, the Spectrum Funds provide equity capital in a wide variety of transactions including:

- Primary capital for growth;
- Recapitalizations and dividends;
- Acquisition financings; and
- Secondary share purchases.

SEM provides the services described above pursuant to a series of contracts with the Spectrum Funds. Generally, a related person of SEM acts as the general partner of each Spectrum Fund, and SEM serves as investment adviser to each Spectrum Fund. References to SEM in this Brochure include, as the context requires, affiliates through which SEM provides investment advisory services or that act in any capacity referenced in the previous sentence.

SEM tailors its advisory services to the specific investment objectives and restrictions of each Spectrum Fund set forth in such Spectrum Fund's limited partnership agreement and investment management agreement. Investors and prospective investors of each Spectrum Fund should refer to the confidential private placement memorandum, limited partnership agreement, investment management agreement and/or other governing documents (collectively, the "Governing Documents") of the applicable Spectrum Fund for complete information on the investment objectives and investment restrictions with respect to such Spectrum Fund. There is

no assurance that any of the Spectrum Funds' investment objectives will be achieved.

In accordance with common industry practice, one or more of the Spectrum Funds and/or their general partners enters into "side letters" or similar agreements with certain investors pursuant to which the general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally.

Certain current and/or former employees, consultants, advisors of SEM and other persons with a strategic relationship with SEM are given the opportunity to invest on a side-by-side basis with the Spectrum Funds through one or more co-investment vehicles that are structured to facilitate those investments (each, an "Employee Investment Fund"). SEM generally forms separate Employee Investment Funds to co-invest alongside each Spectrum Fund.

SEM does not participate in any wrap fee programs.

SEM manages all assets on a discretionary basis in accordance with the terms and conditions of each Spectrum Fund's Governing Documents. As of December 31, 2018, the amount of assets SEM manages on a discretionary basis is \$3,953,261,875

Item 5 - Fees and Compensation

Compensation and Fee Schedules

All investors and prospective investors should review the Governing Documents of each Spectrum Fund in conjunction with this Brochure for complete information on the fees and compensation payable in connection with a particular Spectrum Fund. Different Spectrum Funds may be subject to different management fees and performance-based compensation arrangements. In limited circumstances, the advisory fees payable to SEM by individual investors in the Spectrum Funds may be negotiable and/or waived. Investors and prospective investors in each Spectrum Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. Except for Spectrum VI CoInvestment Fund, L.P., Spectrum VII CoInvestment Fund, L.P., Spectrum VIII CoInvestment Fund, L.P. and Spectrum VIII Investment Managers' Fund, L.P., all SEM clients are "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "Company Act"), and therefore SEM has not included specific fee information in this Brochure. With respect to IMF VIII, an Employee Investment Fund, SEM, in certain circumstances, is entitled to receive a management fee from certain limited partners of IMF VIII equal to 1.65% of their respective capital commitments to IMF VIII. Except as set forth above with respect to IMF VIII, SEM does not receive management fees or other compensation from the Employee Investment Funds.

Deduction of Fees; Timing of Payments; Termination

As a general matter, SEM will charge and deduct advisory fees directly from the Spectrum Funds pursuant to the terms of the Governing Documents.

The payments of advisory fees are generally made quarterly in advance and in accordance with the terms of the Governing Documents. Please refer to the Governing Documents of each of the Spectrum Funds for complete information on the timing of advisory fee payments.

Upon termination of any investment management agreement, any prepaid, unearned fees will be promptly refunded (determined on a pro rata basis based on the number of days elapsed in the applicable payment period), and any earned, unpaid fees will be due and payable.

The payments and/or reimbursements relating to Other Fees and Expenses are made on a monthly basis.

Other Fees and Expenses

In addition to the fees payable to SEM and its affiliated entities, the Spectrum Funds (and therefore, indirectly, the limited partners of such Spectrum Funds) may incur certain charges imposed by third parties and other expenses as set forth in the Governing Documents attributable to each Spectrum Fund. Such expenses may include (but are not limited to) any taxes, fees or other governmental charges that may be assessed against the Spectrum Funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Spectrum Funds; organizational expenses of the Spectrum Funds; premiums for director and officer liability or other insurance to protect the Spectrum Funds, the Spectrum Funds' general partners, the employees of SEM and its affiliated entities and the members of the Spectrum Funds' advisory committee; the costs of preparing, printing and distributing communications and reports to investors in the Spectrum Funds, software related to portfolio data collection, monitoring, analysis, and valuation, accounting and financial management software, and other third-party expenses incurred in connection with secure communications to investors in the Spectrum Funds and the preparation of financial statements, tax returns, Schedule K-1s and other accounting or similar administrative functions; expenses incurred with respect to third parties which are not affiliates of SEM and its affiliated entities in investigating investment opportunities for, and monitoring investments by, the Spectrum Funds; commissions, brokerage, placement and underwriting fees, registration expenses and other charges incurred in connection with the purchase, holding, restructuring and/or sale of securities; all expenses incurred in connection with the securing of financings; principal and interest on, and fees and expenses arising out of, all permitted borrowings made by the Spectrum Funds; commercial transportation costs (including business-class and/or first-class travel), accommodations and meals incurred in respect of any consummated investments of

the Spectrum Funds; all fees and expenses (other than travel expenses) incurred in connection with transactions not ultimately consummated by the Spectrum Funds (i.e., “broken-deal” fees and expenses); consulting expenses; fees and expenses of third-party services provided to portfolio companies to the extent not borne by such portfolio companies; any expenses of the members of the Spectrum Funds’ advisory committees (including travel, lodging and meals); expenses relating to meetings with investors in the Spectrum Funds (including the Spectrum Funds’ annual meeting) or any meetings of the Spectrum Funds’ advisory committees, whether individually or as a group (including travel, lodging and meals); all costs and expenses, if any, incurred in connection with the Spectrum Funds’ legal and regulatory compliance or related to compliance with the provisions in the Governing Documents; all costs and expenses related to the presence of the Spectrum Funds’ general partner or its affiliates in jurisdictions in which the Spectrum Funds maintain subsidiary or related acquisition vehicles, including rent, domiciliation fees, directors fees and other similar costs; expenses relating to litigation and threatened litigation involving the Spectrum Funds; normal and extraordinary fees and expenses associated with regulatory, administrative or other proceedings, settlement or review of the business or activities of the Spectrum Funds, including any indemnification or extraordinary expense or liability relating to the affairs of the Spectrum Funds; all expenses of dissolving and liquidating the Spectrum Funds and their assets; all expenses incurred in connection with any restructuring or amendments to the constituent documents of the Spectrum Funds and related entities; all expenses incurred in connection with the formation of special purpose investment vehicles, including any alternative investment vehicles, and subsidiary holding vehicles; fees and expenses for outside tax advisors, accountants, administrators, custodians, attorneys, auditors, consultants, independent appraisers, valuation firms, research-related data providers, agents and other professionals; all expenses and fees relating to the investment banking, legal, custodial, administrative, audit, accounting and chartered financial analyst services provided to the Spectrum Funds and its related entities; and other non-recurring or extraordinary expenses properly chargeable to the Spectrum Funds. The types of other fees and expenses incurred may vary among Spectrum Funds. All investors and prospective investors should review the Governing Documents of the applicable Spectrum Fund in conjunction with this Brochure for complete information on the charges and expenses payable with respect to a particular Spectrum Fund.

As indicated above, SEM and its affiliated entities may engage consultants to provide due diligence and other consulting services to the Spectrum Funds, including in connection with investigating potential investment opportunities and monitoring existing investments (“Consulting Services”). In addition to the consulting services provided to SEM and the Spectrum Funds, such consultants may participate in a wide variety of financial and other professional services (including, without limitation, serving as board members, officers, consultants or in a similar capacity with respect to existing or potential Spectrum Fund portfolio companies). As discussed in Item 14, compensation paid to such consultants from Spectrum Fund portfolio companies generally does not offset the advisory fees paid to SEM

and its affiliated entities by the applicable Spectrum Funds pursuant to the applicable Spectrum Fund's Governing Documents. From time to time, such consultants may also provide administrative or other back-office services to SEM and its affiliated entities ("Administrative Services"). In situations where a consultant provides both Consulting Services and Administrative Services, SEM will allocate such consultant's costs and expenses among SEM and the relevant Spectrum Funds on a basis that is fair and equitable as determined by SEM taking into account all relevant facts and circumstances of the services provided.

The Spectrum Funds generally share common fees and expenses related to portfolio companies in which one or more Spectrum Funds co-invest, to the extent practicable (taking into account available liquid assets and/or available unfunded capital commitments), in proportion to the invested capital of each Spectrum Fund with respect to such portfolio company. Further, the Spectrum Funds generally share any other common expenses based on their respective committed capital, total invested capital, total net asset value, or on such other basis, in each case as determined by SEM in good faith to be equitable with respect to the particular common expenses. All investors should review the Governing Documents of the applicable Spectrum Fund for complete information on how expenses are shared with respect to such Spectrum Fund.

The section titled "*Brokerage Practices*" describes the factors SEM considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Timing of Payments

Please refer to the subsection entitled "*Deduction of Fees; Timing of Payments; Termination*" described above.

Transaction-Based Compensation

SEM does not receive any compensation as broker or agent for the sale of securities or other investment products to any Spectrum Fund. Please refer to the subsection titled "*Economic Benefits Received from Third Parties*" below for information on other types of compensation that SEM may receive with respect to investments by the Spectrum Funds.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

A related entity of SEM, as general partner of a Spectrum Fund, will typically receive certain allocations calculated and charged based on a share of net profits on or capital appreciation of the assets of such Spectrum Fund. Such "carried interest" allocation arrangements comply with Rule 205-3 under the Investment Advisers Act of 1940 (together with all rules and regulations promulgated thereunder, the

"Advisers Act") to the extent required thereunder. Any share of profits allocated or distributed to a general partner or affiliate of a Spectrum Fund is separate and distinct from the advisory fees charged by SEM to such Spectrum Fund for advisory services.

Arrangements regarding performance-based allocations received by related persons of SEM may create an incentive for SEM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Side-by-Side Management

Different Spectrum Funds may be subject to different performance-based compensation arrangements. If SEM or an affiliate is entitled to receive a higher percentage of the net profits of the account of one Spectrum Fund than the percentage that SEM or an affiliate receives from another Spectrum Fund, then SEM may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the Spectrum Fund that is subject to the higher percentage.

To mitigate potential conflicts of interest, the allocation of commitments and investment decisions with respect to each Spectrum Fund are made by SEM with respect to all Spectrum Funds in accordance with SEM's investment allocation policy, which, subject to the Governing Documents of the applicable Spectrum Funds, takes into account multiple criteria, including: (i) the investment objectives, strategies, guidelines and restrictions of each Spectrum Fund, (ii) the relevant allocation of investment opportunity provisions in a Spectrum Fund's Governing Documents, (iii) the liquidity needs of each Spectrum Fund and the investment cycle of each Spectrum Fund, (iv) the respective holding periods for the prospective investments, (v) the nature of the disposition opportunity, including the size and source of the opportunity, (vi) current and anticipated market conditions, and (vii) tax, legal and/or regulatory considerations.

After the applicable Spectrum Fund(s) have received their desired portion of a new investment or follow-on investment opportunity (in light of the applicable Spectrum Fund(s)' strategy, diversification objectives, concentration limits, portfolio allocation, available capital and future anticipated capital needs, SEM, in certain cases, may make additional amounts with respect to such investment opportunity (if any) available for co-investment to strategic investors, third party sponsors, consultants, advisors or lenders, one or more (but not necessarily any or all) investors in the Spectrum Funds and/or their affiliates, private investors, groups and/or individuals. If SEM expects to offer any such co-investment opportunity to one or more limited partners of a Spectrum Fund, SEM will offer such opportunity to participate in such co-investment in accordance with the applicable provisions of the Spectrum Funds' Governing Documents and SEM's co-investment allocation policies in effect from time to time. Co-investments by investors in the Spectrum Funds or third parties may be made directly in the applicable portfolio company or may be made through

“special purpose vehicles” or other entities formed by SEM or its affiliates (“Co-invest SPVs”). SEM or its affiliates may (but are not obligated to) receive fees, carried interest or other compensation in connection with such co-investments (and the terms of any such fees, carried interest or other compensation may differ from the terms applicable to an investment in the Spectrum Funds with regard to such matters).

The Spectrum Funds may, as permitted under their respective Governing Documents, cross-invest in portfolio companies in which other Spectrum Funds already hold an interest or engage in cross-sales of interests in portfolio companies between Spectrum Funds. To the extent that multiple Spectrum Funds hold an interest in the same portfolio company, it is SEM’s policy that disposition opportunities with respect to that investment will be determined by SEM and its affiliates on a case-by-case basis and will not necessarily be made at the same time or in proportion to dollars invested in that company or relative ownership percentages in that company. In such cases, SEM and its affiliates will allocate disposition opportunities among the applicable Spectrum Funds in their discretion, taking into account (without limitation): (i) the relevant provisions in agreements related to the applicable entities’ investment in the portfolio company (such as “tag-along” or “piggy-back” rights); (ii) the ownership percentage of, and the amount invested by, each applicable entity in the portfolio company; (iii) the amount of gain (or loss), realized and unrealized, on each applicable entity’s investment in the portfolio company at the time of such disposition opportunity; (iv) the type of securities held by each entity in the portfolio company; (v) liquidity needs for each applicable entity and the investment cycle of each applicable entity; (vi) respective holding periods for the investment of each applicable entity; (vii) the nature of the disposition opportunity, including the size of the opportunity; (viii) current and anticipated market conditions; (ix) tax, legal or regulatory considerations; and (x) such other factors that SEM and its affiliates may determine to be relevant.

Please refer to the Governing Documents of each Spectrum Fund for complete information on the specific “performance-based fee” arrangements of each Spectrum Fund.

Item 7 - Types of Clients

Types of Clients and Investment Vehicles

SEM provides advice to the Spectrum Funds and Employee Investment Funds, which are pooled investment vehicles. The limited partners of the Spectrum Funds may include high net worth individuals, corporations, funds of funds, financial institutions, endowments, foundations, trusts, estates, sovereign wealth funds, and public and private pension and profit sharing plans. SEM may also provide investment advice to Co-invest SPVs.

SEM and/or its affiliates may establish certain alternative investment vehicles, parallel funds and/or special purpose vehicles (collectively, "AIVs") for the purpose of addressing tax, regulatory and/or structural issues, and/or facilitating certain investments by one or more Spectrum Funds and/or investors. Prospective investors are requested to refer to the Governing Documents of the applicable Spectrum Fund for complete details on any AIV that may be established by such Spectrum Fund and such Spectrum Fund's ability to make investments through AIVs.

Minimum Investment Requirements

The Spectrum Funds are generally offered to "accredited investors" within the meaning of the Securities Act and/or "qualified purchasers" within the meaning of the Investment Company Act and are therefore not required to register as investment companies under the Investment Company Act in reliance upon the exemptions available under Sections 3(c)(1) and 3(c)(7) thereof.

In general, the minimum investment commitment required of a limited partner to participate in a Spectrum Fund is \$5,000,000; however, the general partner of each Spectrum Fund has discretion to increase or reduce the minimum investment commitment. Investors are requested to refer to the Governing Documents of each Spectrum Fund for complete information on minimum investment requirements for participation in a particular Spectrum Fund. The minimum commitment for an investor in an Employee Investment Fund is determined by the applicable managing fiduciary of such Employee Investment Fund in its sole discretion.

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

Investment Strategies

As discussed in Item 4 above, SEM's primary investment strategy is to make growth equity investments in private companies. SEM primarily seeks investment opportunities in companies with well-established business models that are run by experienced management teams and that present opportunities for future growth, either organically, through acquisition, or both.

Methods of Analysis

Investments, and potential investments, are analyzed by SEM based upon the business strategy and focus of the target portfolio company and the relevant experience of the target portfolio company's officers and directors. SEM also considers general economic characteristics of potential investments, including the potential for recurring revenue, strong cash flow margins, barriers to entry, high margins, significant operating leverage, long-term customer relationships, and opportunities for add-on acquisitions.

SEM's principal sources of information in identifying investments include internal cold calling efforts, its proprietary network of industry participants, bankers,

consultants, executives and professional advisors (including attorneys, accountants and other industry advisors), private offering memoranda, quarterly and annual reports, personal interviews with directors and officers of such entities, visits to such entities, SEC filings (if available) and general industry knowledge.

Upon identifying a target portfolio company investment, SEM engages in a thorough due diligence process that includes a written presentation first within the industry group responsible for the segment in which the prospective portfolio company falls and then to SEM's Managing Directors as part of their weekly meeting. Further diligence, if warranted, will serve to establish the original thesis of the investment and address the issues identified by the initial weekly discussion. As diligence progresses, SEM may seek to leverage the expertise of the firm's extensive network of relationships, often drawing on executives from existing or former portfolio companies. This second level of diligence and evaluation will lead to a refined financial model along with a more informed perspective as to valuation and opportunity for return. Customarily, a term sheet will result from this process, which will serve as the template for further negotiation and begin to define the parameters of a transaction. Once this second level of diligence has been completed and a deal structure and price outlined, a more comprehensive presentation will be made as part of the weekly meeting and will include all members of the deal team. This constitutes the "Investment Committee" meeting, which will be the formal approval forum for the transaction and will include refinements to the proposed structure and pricing. If approved, the transaction will move to the final step of the process, including any third party diligence work and legal documentation including a "bring down" diligence review.

Material Risks

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that SEM will be able to choose, and the Spectrum Funds will be able to make and/or realize, any particular investment or that the Spectrum Funds will be able to generate returns for their investors. In addition, there can be no assurance that any investor will receive any distribution from a Spectrum Fund. Investing in the Spectrum Funds involves a risk of loss that investors should be prepared to bear. Investors in the Spectrum Funds are requested to refer to the Governing Documents of the applicable Spectrum Fund for complete information on investment strategies employed by such Spectrum Fund and the corresponding risks associated with such investment strategies. Investors in the Spectrum Funds should carefully consider, among other factors, the following material risks involved with SEM investment strategies.

Nature of Investments. A substantial portion of a Spectrum Fund's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. A Spectrum Fund's investments will be highly illiquid, and there can be no assurance that a Spectrum Fund will be able to realize on such investments in a timely manner. There will generally be a significant period

of time before a Spectrum Fund has completed its investment program. A Spectrum Fund may make investments that may not be advantageously disposed of prior to the date that such Spectrum Fund will be wound-up and dissolved, either by expiration of such Spectrum Fund's term or otherwise. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there generally will be no current return on the investments to the investors in such Spectrum Fund.

While such investments offer the opportunity for significant investment gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the general partner of a Spectrum Fund or SEM will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Spectrum Fund's activities.

Control Liability. A Spectrum Fund may own a significant or controlling percentage of the equity of its portfolio companies. A Spectrum Fund will generally appoint one or more representatives to the board of directors of the companies in which it invests. Significant or controlling ownership and serving on the board of directors of a portfolio company exposes a Spectrum Fund's representatives, and ultimately a Spectrum Fund, to potential liability because a Spectrum Fund or its representatives may in certain cases be thought to control, participate in the management of or influence the conduct of such portfolio company.

Non-Controlling Investments. A Spectrum Fund may invest in minority positions in portfolio companies and may have a limited ability to exert significant influence or protect its position. Accordingly, a Spectrum Fund may have a limited ability to protect its interests in such portfolio companies and to influence such portfolio companies' management. In such cases, a Spectrum Fund will be significantly reliant on the other equity participants in the portfolio companies and on the existing management and board of directors of such portfolio companies, which may include representation of other financial investors with whom a Spectrum Fund is not affiliated and whose interests may conflict with the interests of such Spectrum Fund.

Limited Number of Investments. SEM may intend for a Spectrum Fund to participate in a limited number of investments and, as a consequence, the aggregate return of such Spectrum Fund may be adversely affected by the unfavorable performance of even a single investment. Although SEM intends to diversify each Spectrum Fund's portfolio to the extent reasonably possible within the confines of such Spectrum Fund's investment strategy, the inability of SEM to achieve this objective could adversely affect the performance of a Spectrum Fund.

Leverage. Although the Spectrum Funds generally only borrow on a short-term basis, portfolio companies in which a Spectrum Fund invests may utilize leverage. Use of leverage may increase the exposure to adverse economic factors such as significantly rising interest rates, downturns in the economy or deterioration in the condition of any given portfolio company or its industry. Any event that adversely affects the value of a portfolio company held by a Spectrum Fund may be magnified to the extent that such portfolio company is leveraged. In the event a portfolio company is unable to meet principal and interest payments on its third-party indebtedness, the value of a Spectrum Fund's investment in such entity could be significantly reduced or even eliminated.

Reliance on Other Management. The day-to-day operations of each portfolio company in which a Spectrum Fund invests will be the responsibility of such portfolio company's management team. Although SEM and each Spectrum Fund's general partner will monitor the performance of a Spectrum Fund's portfolio companies and will screen for and, if necessary, recruit capable management, there can be no assurance that such management will be able to operate any such portfolio company in accordance with such Spectrum Fund's expectations.

Reliance on Individual SEM Personnel. A Spectrum Fund will be particularly dependent upon the efforts, experience, contacts and skills of the individual personnel of SEM. The loss of any such individual could have a material, adverse effect on such Spectrum Fund, and such loss could occur at any time due to death, disability, resignation or other reasons.

Competition for Investments. The growth equity business is highly competitive, and has become more so in recent years due to a substantially increased flow of capital into venture capital, growth equity and private equity funds and similar investment organizations. A Spectrum Fund will generally be competing with other established funds and investment organizations with substantial resources and experience. Moreover, the volume of attractive investment opportunities varies greatly from period to period. There can be no assurance that a Spectrum Fund will be able to make investments on attractive terms.

Bridge Loans. From time to time, a Spectrum Fund may lend money to a portfolio company or otherwise invest on an interim basis in portfolio companies. Such short term financings may be convertible into a more permanent, long-term security; however, for reasons not always in a Spectrum Fund's control, such long-term securities issuance or other refinancing or syndication may not occur and such loans and interim investment may remain outstanding. In such event, the compensation to the Spectrum Fund may not adequately reflect the risk associated with the position taken by such Spectrum Fund.

Follow-On Investments. A Spectrum Fund may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in portfolio companies. There can be no assurance that a Spectrum Fund

will have sufficient capital to do so. Any decision not to make follow-on investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish a Spectrum Fund's proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development.

Reserves. In managing the Spectrum Funds, SEM will establish reserves for follow-on investments in portfolio companies, operating expenses, liabilities and other matters. Estimating the amount necessary for such reserves may be difficult, particularly because follow-on investment opportunities will be directly tied to the success and capital needs of portfolio companies. For example, if reserves are inadequate, a Spectrum Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with a "pay-to-play" or similar investment round. If reserves are excessive, a Spectrum Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

Non-U.S. Investments. A Spectrum Fund may from time to time invest in portfolio companies operating and/or organized outside of the United States. Such investments will involve risks not typically associated with investments in the securities of U.S. companies. Such investments may be subject to certain additional risks not presented by investments in U.S. portfolio companies due to, among other things, potentially unsettled points of applicable governing law, the risks associated with different accounting standards, different legal protections for investors, unusual regulatory burdens, political instability, fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of such Spectrum Fund) and the application of complex tax rules to cross-border investments. Even those portfolio companies that nominally are U.S. portfolio companies by virtue of their jurisdiction of organization or management headquarters may be exposed to significant foreign risks due to the increasingly international nature of many growth stage companies. Any adverse change to the political, economic, military or social environments in the host countries of a Spectrum Fund's portfolio companies could have a significant adverse effect upon the operations or financial performance of a Spectrum Fund. The foregoing factors may increase transaction costs, adversely impact the value of a Spectrum Fund's investments in non-U.S. portfolio companies and otherwise reduce returns to a Spectrum Fund's investors.

Litigation Risks. A Spectrum Fund will be subject to a variety of litigation risks, particularly if one or more of its portfolio companies face financial or other difficulties during the term of such Spectrum Fund. Legal disputes, involving any or all of the Spectrum Funds, their affiliates, or their portfolio companies, may arise from a Spectrum Fund's activities and investments and could have a significant adverse effect on such Spectrum Fund.

Changes in Environment. A Spectrum Fund's investment program is intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Spectrum Fund operates may undergo substantial changes, some of which may be adverse to such Spectrum Fund. A drawn-out recession, downturns in the economy, deteriorations in the condition of an industry sector in which a Spectrum Fund has invested or adverse developments in the securities or credit markets may have an adverse impact on some or all of a Spectrum Fund's investments. A sustained period of inactivity and/or low valuations in the public equity markets could result in substantially lower liquidation values and substantially longer periods before liquidity is achieved in comparison with historical values, which would reduce the returns that could be achieved by a Spectrum Fund. In addition, factors specific to a portfolio company may have an adverse effect on a Spectrum Fund's investment in such company. The economic environment for all companies may remain challenging. All portfolio companies may face intense competition, changing business and economic conditions, risks of technological acceptance and obsolescence or other developments that may adversely affect their performance. The investment sourcing, selection, management and liquidation strategies and procedures exercised by SEM in the past may not be successful, or even practicable, during a Spectrum Fund's term.

Item 9 - Disciplinary Information

Neither SEM nor any of its principals have been the subject of any material legal proceeding required to be disclosed in response to this item.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Neither SEM nor any of its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, SEM and its management persons are not affiliated with any broker-dealer.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither SEM nor any of its management persons are registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

As discussed in the subsection titled "*Participation or Interest in Client Transactions and Personal Trading*," SEM and its related persons are, directly or indirectly, the general partners, limited partners and/or managing members of the general partner of each of the Spectrum Funds. SEM and its related persons manage multiple

Spectrum Funds. This can create conflicts in the allocation of time, resources and investment opportunities among the Spectrum Funds. Please refer to the Governing Documents of the relevant Spectrum Fund for complete information on the requisite time commitments (if any) of SEM and its related persons to the Spectrum Funds and the allocation of investment opportunities among the Spectrum Funds. Please also refer to the description of SEM's investment allocation policy described in the subsection "*Side-by-Side Management*" above.

Employees of SEM and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the Spectrum Funds invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. In connection with such activities, employees of SEM may be given access to confidential information relating to companies in which the Spectrum Funds invest or may otherwise become subject to legal or contractual restrictions on their ability to effect transactions for the Spectrum Funds. As a result, the Spectrum Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or equity securities of certain portfolio companies, which prohibition may have an adverse effect on the Spectrum Funds. The above individuals may spend a substantial portion of their time with these related management activities.

Subject to any specific consent or other requirements under the Governing Documents of the relevant Spectrum Funds, from time to time, certain Spectrum Funds may hold or may acquire positions in portfolio companies in which other Spectrum Funds invest or have invested. Such investments may be coincident with or precede one another. Follow-on investments in companies in which a Spectrum Fund and one or more other Spectrum Funds have invested may not necessarily be pro rata based on existing ownership in such companies. The Spectrum Funds may have divergent interests with respect to exit strategies from such investments, restructuring the capital structure or business of such companies or other matters affecting the investment in such companies. To the extent that multiple Spectrum Funds hold an interest in the same company, disposition opportunities with respect to that investment shall, to the extent practicable, be allocated among such Spectrum Funds on a basis that is fair and equitable to each Spectrum Fund as determined by SEM taking into account all relevant facts and circumstances.

In connection with certain investments by a Spectrum Fund, some of such Spectrum Fund's investors may participate in such investments directly or indirectly through a "blocker corporation" while other investors (and the SEM related person serving as such Spectrum Fund's general partner) may participate without use of an intervening "blocker corporation". This may create conflicts for SEM, particularly in structuring an exit from such investments given the varying tax implications to the Spectrum Fund's general partner and the Spectrum Fund's other investors resulting from different exit structures. Returns from such investments to the Spectrum Fund's general partner, including in respect of its carried interest, typically would not be reduced by any taxes, reduction in proceeds or other expenses borne by any

investor participating in such investments directly or indirectly through a “blocker corporation”.

Investments by a Spectrum Fund may cause SEM and its related persons to become subject to legal or contractual restrictions on their ability to effect transactions for other Spectrum Funds, for example due to the receipt of non-public information or due to the existence of a control relationship between SEM and a portfolio company. In addition, it is possible that in a bankruptcy proceeding a Spectrum Fund’s interest in a portfolio company may be adversely affected by another Spectrum Fund’s involvement and such other Spectrum Fund’s actions relating to its investment.

SEM will determine all matters relating to structuring transactions, including the amount and terms of securities, allocation of securities among the relevant Spectrum Funds and amounts potentially available for co-investment opportunities, using its best judgment considering all factors it deems relevant and subject to any specific consent or other requirements under the Governing Documents or “side letters” for the relevant Spectrum Funds.

Selection or Recommendation of Other Advisers

SEM does not recommend or select other investment advisers for its clients and does not receive compensation from such advisers in a manner that would create a material conflict of interest. SEM does not have other business relationships with other advisers that create a material conflict of interest.

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

Code of Ethics

SEM has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act expressing SEM’s commitment to ethical conduct. SEM’s Code of Ethics describes its fiduciary duties and responsibilities to its clients, and sets forth, among other things, SEM’s (i) policies on receipt of gifts by employees and campaign contributions and (ii) practice of monitoring the personal securities transactions of supervised persons with access to client investment recommendations. Under SEM’s Code of Ethics, all supervised persons have a duty to act only in the best interests of the Spectrum Funds and potential conflicts and violations of the Code of Ethics must be promptly reported to SEM’s Chief Compliance Officer (“CCO”). All supervised persons must acknowledge the terms of the Code of Ethics annually, or when amended. It is the expressed policy of SEM that no person employed by SEM shall prefer his or her own interest to that of a Spectrum Fund or make personal investment decisions based on the investment decisions of the Spectrum Funds.

To supervise compliance with its Code of Ethics, SEM requires that anyone associated with its advisory practices with access to advisory recommendations

provide annual securities holdings reports and quarterly brokerage statements (or equivalent quarterly transaction reports) to the firm's CCO. SEM requires such "access persons" to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

In an effort to prevent inappropriate securities transactions by SEM's personnel, the CCO will maintain and make available a list of restricted securities. Access persons are strictly prohibited from trading on their own behalf in restricted securities without obtaining the prior written approval of the CCO.

SEM requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. SEM also has a policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

SEM will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions; Personal Trading

As general partners, limited partners and/or managing members of the general partners of each of the Spectrum Funds, related persons of SEM (including certain employees) have indirect beneficial interests in the securities owned by the Spectrum Funds and will share in any profits and losses generated by the Spectrum Funds' investments. Moreover, in certain situations, related persons of SEM may purchase interests in the same portfolio investments held by one or more Spectrum Funds. All such transactions are subject to compliance with SEM's Code of Ethics as described above. Any access person who has or acquires ownership of an issuer through a private placement (excluding any indirect investment in an issuer via a direct or indirect interest in a Spectrum Fund) must affirmatively disclose that interest to the CCO if such access person is involved in considering or determining any subsequent investment decision regarding an investment by a Spectrum Fund in any security of that issuer or an affiliate.

SEM and/or certain related persons of SEM may, on rare occasions, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Spectrum Funds in connection with certain "warehousing" transactions, provided that the sale is consistent with SEM's fiduciary obligations to the Spectrum Funds. Such transactions will be fully disclosed and the written consent of the appropriate Spectrum Fund (which, in certain circumstances, may be provided by the Spectrum Fund's advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act to the extent that such transactions constitute "principal transactions" under Section 206(3).

Moreover, SEM may cause a Spectrum Fund to engage in “cross transactions” via the purchase or acquisition of a security from, or the sale or transfer of a security to, another Spectrum Fund, provided that the transfer is consistent with SEM’s fiduciary obligations to each Spectrum Fund participating in the cross transaction.

While SEM endeavors at all times to act in the best interests of the Spectrum Funds, investors should be aware that such transactions create a potential conflict of interest.

Item 12 - Brokerage Practices

Discretionary Brokerage

The Spectrum Funds invest primarily in private equity investments, although they may acquire, sell or distribute public securities on occasion (for example, where a Spectrum Fund receives shares of a company as part of a general distribution or initial public offering). Subject to the investment objectives, policies and restrictions of each Spectrum Fund, as set forth in such Spectrum Fund’s Governing Documents, SEM will generally have discretionary authority to select the broker or dealer to be used to execute transactions in securities on behalf of the Spectrum Funds and negotiate the commission cost to be paid.

In selecting brokers, SEM’s primary consideration will be to obtain the most favorable net result for the Spectrum Funds under the circumstances, which may not involve the lowest possible commission cost. In selecting broker-dealers to effect securities transactions, SEM seeks to obtain best execution by considering factors including, but not limited to, the price and size of the order, the trading characteristics of the securities involved, the value of research provided by each broker, the broker’s execution abilities, commission rates, and financial responsibility and responsiveness. The applicability of specific criteria will vary depending upon the nature of the transaction, the market in which it is executed, and the extent to which it is possible to select from among multiple brokers or dealers.

Research and Soft Dollar Benefits

SEM does not engage in soft dollar arrangements with respect to securities transactions for the Spectrum Funds.

Any research services and/or other products or services that are provided to SEM by brokers and dealers may be used for the benefit of all clients of SEM and do not necessarily benefit solely the Spectrum Fund from which the commissions were generated. The receipt of research and/or other products or services is not directly connected to the recommendation of brokerage services to the Spectrum Funds, but does create a potential conflict of interest of which investors should be aware in assessing SEM’s choice of broker-dealers.

Service SEM Providers and Client Referrals

Subject to SEM's obligation to seek best execution of all transactions for its clients, SEM may consider referrals of investors in determining its selection of third party service providers. Accordingly, SEM may have an incentive to select or recommend a broker-dealer or other service provider based on its interest in receiving investor referrals. Any such determinations will be made in accordance with SEM's fiduciary obligations to the Spectrum Funds and SEM's compliance policies and procedures.

Trade Aggregation

Although SEM does not often trade in public securities, in such circumstances where more than one Spectrum Fund is either selling or buying the same type of security, SEM will, to the extent possible, generally place a combined order for the Spectrum Funds engaged in the purchase or sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating Spectrum Funds' Governing Documents, and otherwise in the best interest of the Spectrum Funds.

Item 13 - Review of Accounts

Review of Client Accounts

SEM will continuously monitor portfolio investments on behalf of the Spectrum Funds. Investments are reviewed in the context of each Spectrum Fund's stated investment objectives and guidelines as set forth in the Governing Documents of each Spectrum Fund. Members of the Investment Committee meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Spectrum Funds.

Reports to Clients

The general partners of each Spectrum Fund distribute quarterly and annual written reports to their respective limited partners. Annual reports generally contain an individual capital account statement as of the end of such fiscal year, a listing of investments held by the Spectrum Fund and the audited financial statements of the Spectrum Fund. The quarterly reports generally contain unaudited financial statements of the Spectrum Fund for the fiscal quarter.

Investors are requested to refer to the Governing Documents of each Spectrum Fund for further information on the reports provided by a particular Spectrum Fund to its investors.

Item 14 - Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

From time to time, in connection with investments made by certain Spectrum Funds, SEM or its affiliates or supervised persons may receive directors, consulting, monitoring, investment banking, transaction, break-up and/or similar fees or other remuneration paid in cash or in kind from portfolio companies in which one or more of the Spectrum Funds may invest or propose to invest. To mitigate potential conflicts of interest, SEM will generally offset such benefits against advisory fees payable by the applicable Spectrum Fund or otherwise remit such benefits to the limited partners of such Spectrum Fund in accordance with such Spectrum Fund's Governing Documents. SEM from time to time engages consultants that may provide financial and other professional services to third parties, including to Spectrum Fund portfolio companies. Any remuneration paid to such consultants by Spectrum Fund portfolio companies generally will not offset the advisory fees payable to SEM and its affiliated entities by the applicable Spectrum Fund pursuant to such Spectrum Fund's Governing Documents. Accordingly, the Spectrum Funds and their investors do not benefit from any such remuneration paid by Spectrum Fund portfolio companies to such consultants. Investors are requested to refer to the Governing Documents of each of the Spectrum Funds for complete information on the additional compensation received by SEM or its affiliates or supervised persons in connection with a particular Spectrum Fund's investments and the amount of the applicable advisory fee offset.

Third Party Compensation for Client Referrals

SEM and related entities of SEM may enter into cash compensation arrangements with unaffiliated placement agents or other third parties for introducing investors to a Spectrum Fund. Any sales charge associated therewith will ultimately be payable by SEM and/or its related entities, either directly or through an offset of the advisory fee payable by the relevant Spectrum Fund to SEM. An investor will not bear any additional charges as a result of an introduction through a placement agent or other unaffiliated third party. Moreover, as described above, SEM may consider referrals of investors to the Spectrum Funds in determining its selection of third party service providers.

SEM endeavors at all times to put the interests of the Spectrum Funds first as part of SEM's fiduciary duty. Nevertheless, the receipt of compensation by the placement agents creates a potential conflict of interest, and may affect the judgment of placement agents when making referrals to SEM and the Spectrum Funds.

Item 15 - Custody

SEM will not have physical possession of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act).

Nevertheless, SEM will generally be deemed to have custody of the assets of the Spectrum Funds as a result of its position as an affiliate of the general partner of each Spectrum Fund.

It is SEM's policy to cause each Spectrum Fund with assets over which SEM is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Spectrum Fund, SEM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Spectrum Fund to all investors promptly after completion of the audit.

Item 16 - Investment Discretion

Subject to the investment objectives, policies and restrictions of each Spectrum Fund as set forth in the Governing Documents of such Spectrum Fund, SEM has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Spectrum Fund. SEM is provided with this authority pursuant to a limited power of attorney granted via the applicable Governing Documents.

The terms upon which SEM serves as an investment manager with respect to any Spectrum Fund are established at the time that such Fund is formed and generally are set forth in such Spectrum Fund's Governing Documents. SEM's investment advice is provided directly to the Funds and not to investors in the Spectrum Funds individually. SEM is not required to contact investors in the Spectrum Funds prior to transacting any business for the Spectrum Funds.

Item 17 - Voting Client Securities

Because SEM has, or will accept, authority to vote securities held by a Spectrum Fund, it has adopted policies and procedures (the "Proxy Voting Policies and Procedures") that have been designed to ensure that SEM complies with the requirements of the Advisers Act and reflect SEM's commitment to vote all client securities for which it exercises voting authority in a manner consistent with the best interest of the Spectrum Funds.

When exercising its voting authority over client securities, SEM considers all relevant information, evaluates other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. SEM votes all proxies in a prudent manner, considering the prevailing circumstances at such time and in a manner consistent with the Proxy Voting Policies and Procedures and SEM's fiduciary duties to the Spectrum Funds.

SEM reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the applicable Spectrum Fund. As a

result, depending on the Spectrum Fund's particular circumstances, SEM may vote one Spectrum Fund's securities differently than it votes those of another Spectrum Fund, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, SEM may determine that it is in a Spectrum Fund's best interest for SEM to "abstain" from voting or not to vote at all, and will do so accordingly.

Prior to exercising its voting authority, SEM, in consultation with the CCO, inside and outside counsel, as appropriate, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of SEM, its owners, its employees or its related persons, with persons having an interest in the outcome of the vote. If a material conflict exists, SEM takes steps to ensure that its voting decision is based on the best interests of the applicable Spectrum Funds and is not a product of the conflict. SEM may, at its discretion, (A) seek the advice of the applicable advisory committee in voting such security (if any); (B) disclose the conflict of interest to the limited partners of the Spectrum Fund and defer to the Spectrum Fund's voting recommendation; (C) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (D) take such other action in good faith (in consultation with SEM's inside or outside counsel) which would serve the best interest of the Spectrum Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

SEM will deliver to each limited partner of a Spectrum Fund, upon written request, a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable Spectrum Fund.

Item 18 - Financial Information

SEM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.