

**INVESTMENT ADVISER BROCHURE**

**SYMPHONY TECHNOLOGY GROUP, LLC**

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**March 30, 2016**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Symphony Technology Group, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact the Management Company’s Chief Compliance Officer at (650) 935-9500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

Since the last version of this Brochure dated March 30, 2015, the Brochure has been revised to update the description of Symphony Technology Group, LLC's advisory business, including but not limited to additional information regarding valuation of investments, cybersecurity and other investment risks, conflicts of interest, co-investments and allocation policies.

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## **ADVISORY BUSINESS**

Symphony Technology Group, LLC (the “Management Company”) and its affiliates (collectively, “Symphony”) is a private investment management firm that focuses on managing private investment funds. The Management Company, a Delaware limited liability company and an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”), commenced operations in 2002. As of December 31, 2015, the Management Company managed approximately \$1,995,000 in client assets on a discretionary basis.

Symphony Technology II GP, LLC (“General Partner II”), a Delaware limited liability company formed in 2002, is the general partner of Symphony Technology II-A, L.P. (“Fund II”). STG III GP, L.P. (“General Partner III”), a Delaware limited partnership formed in 2007, is the general partner of STG III, L.P. and STG III-A, L.P. (collectively, “Fund III”). STG IV GP, L.P. (“General Partner IV”), a Delaware limited partnership formed in 2011, is the general partner of STG IV, L.P. and STG IV-A, L.P. (collectively, “Fund IV” and together with Fund II, Fund III, and any parallel or alternative investment vehicle formed in connection with the foregoing, the “Funds”).

Each of General Partner II, General Partner III and General Partner IV (each, a “General Partner” and collectively, the “General Partners”) is not separately registered as an investment adviser with the SEC; rather, they are relying on the Management Company’s registration as an SEC-registered investment adviser in accordance with applicable SEC guidance. In accordance with this guidance, each of the General Partners is deemed to be registered with the SEC.

Each General Partner has the authority to make all investment decisions on behalf of the applicable Fund. Pursuant to each Fund’s agreement of limited partnership (each, together with any other governing documents, a “Partnership Agreement”) and to management agreements (each, a “Management Agreement”) between the Management Company, each General Partner and each Fund, each General Partner has delegated day-to-day advisory responsibility for each Fund to the Management Company.

The Management Company and the General Partners (each, an “Adviser” and collectively, the “Advisers”) provide investment supervisory services to their clients, which currently consist of the Funds (and together with any future private investment fund to which the Advisers provide investment advisory services, including employee or co-investment vehicles, parallel funds or alternative investment vehicles, the “Private Investment Funds”). Each Fund is a private equity fund and invests through negotiated transactions in operating entities, generally referred to herein as “portfolio companies.” The Advisers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. When investing in portfolio companies, the senior principals (the “Principals”) or other personnel of the Advisers generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by a Fund.

The advisory services provided by the Management Company and the General Partners for the Funds are detailed in each Fund's private placement memorandum, management agreement and Partnership Agreement and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in a Private Investment Fund participate in such Private Investment Fund's overall investment program but may be excused from a particular investment due to legal, regulatory or other applicable constraints. Each Fund or its General Partner generally enter into side letters or other similar agreements ("Side Letters") with certain investors that have the effect of establishing rights under, altering or supplementing the applicable Partnership Agreement, including providing informational rights, addressing regulatory matters or varying fees and carried interest, with respect to such investors. Additionally, as permitted by the relevant Partnership Agreement, the Advisers may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser's personnel and/or certain other persons associated with the Adviser and/or its affiliates.

The Management Company's principal owner is Dr. Romesh Wadhvani.

## **FEES AND COMPENSATION**

In general, each Fund's General Partner receives a management fee (the "Management Fee") and each Fund's General Partner is entitled to receive a carried interest in connection with the advisory services provided to the Funds. For each Private Investment Fund, the carried interest distributed to a General Partner is generally subject to a potential giveback at the end of such Private Investment Fund's life and, in the case of Fund IV, at other specified times, if such General Partner has received excess cumulative distributions. Symphony and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of a Fund. Investors in the Funds also bear certain expenses. A summary of each Fund's fees and expenses follows, but investors should review the applicable Fund's Partnership Agreement for details regarding that Fund's fee structure and expenses. Terms not defined herein are defined in the applicable Partnership Agreement.

### **Management Fees**

#### **Fund II**

Fund II is a proprietary fund and substantially all capital was contributed by Dr. Romesh Wadhvani. As a result, Fund II is not charged a Management Fee. Fund II reimburses the Management Company for expenses incurred on behalf of Fund II.

#### **Fund III**

Fund III initially paid a Management Fee equal to 2.0% on an annual basis of aggregate non-affiliated investor capital commitments ("Commitments") payable semi-annually, partially in arrears and partially in advance. In accordance with Fund III's Partnership Agreement, which provided that the Management Fee would be reduced upon the occurrence of certain events, such as when Fund III's investment period expires, when the Advisers begin to accrue management fees with respect to certain new investment funds or following certain key person events, the

Management Fee has been reduced to an amount equal to 2.0% on an annual basis of the aggregate amount of investment contributions made by non-affiliated investors with respect to investments that have not been disposed of, less the aggregate amount of any permanent write-downs of such investments required pursuant to the valuation provisions in Fund III's Partnership Agreement, subject to any limitations set forth in such Partnership Agreement. Notwithstanding the foregoing, beginning on June 8, 2013, the percentage used in the calculation of the Management Fee was reduced to 1.5% per annum.

#### Fund IV

Fund IV pays a Management Fee equal to 2.0% on an annual basis of Commitments payable quarterly in advance. Upon the occurrence of certain events set forth in the applicable Partnership Agreement, such as when Fund IV's investment period expires, when the Advisers begin to accrue management fees with respect to certain new investment funds or following certain key person events, the Management Fee will be reduced to an amount equal to 1.5% on an annual basis of the aggregate amount of investment contributions made by non-affiliated investors with respect to investments that have not been disposed of, less the aggregate amount of any permanent write-downs of such investments required pursuant to the valuation provisions in Fund IV's Partnership Agreement, subject to any limitations set forth in such Partnership Agreement.

#### Other Management Fee Information

A Fund's Management Fee may be reduced, but not below zero, by a percentage of transaction fees earned by the Advisers or their affiliates as set forth in the applicable Partnership Agreement. In addition, a Fund's Management Fee may also be offset by any private placement and finders' fees paid and organizational fees in excess of the cap stated in such Fund's Partnership Agreement, to the extent any such fees are incurred. An Adviser, its personnel or its affiliates may provide certain business or consulting services to a Fund portfolio company and, in general, any compensation received for such services and expense reimbursements related to such services does not offset such Fund's Management Fee, as discussed in the applicable Partnership Agreement.

Investors participating in a closing after a Fund's initial closing date bear the Management Fee from such initial closing date, with interest. The Management Fee is generally payable until all portfolio investments are distributed or until the Advisers' relationship with such Fund is terminated for other reasons (as described in the applicable Partnership Agreement).

Installments of the Management Fee payable for any period other than a full six-month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

Certain Partnership Agreements permit a General Partner to waive or agree to reduce a Fund's Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital the General Partner would otherwise be required to contribute to a Fund. The limited partners of a Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the

General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions.

### **Carried Interest**

Each Fund's General Partner generally is entitled to receive a carried interest with respect to such Fund's realized profits, as more fully described in the applicable Partnership Agreement, provided that, in the case of Fund IV, General Partner IV generally will be entitled to receive a carried interest with respect to Fund IV's realized profits in excess of a preferred return and subject to a catch-up provision, as more fully described in Fund IV's Partnership Agreement. The carried interest distributed to a General Partner is subject to a potential giveback at the end of a Fund's life and, in the case of Fund IV, at other specified times, if such General Partner has received excess cumulative distributions.

### **Other Information**

Symphony is permitted to exempt certain investors in a Fund from payment of all or a portion of Management Fees and/or carried interest, including the Advisers, their affiliates and any other person designated by the Advisers. Any such exemption from fees and/or carried interest may be made by a direct exemption or indirectly through an investment in a co-investment vehicle. For example, in instances where a Symphony professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain General Partners have the right to permit investors, affiliated with Symphony or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

Each Fund and other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the applicable Partnership Agreement, over the term of a Fund (or the relevant Private Investment Fund, as applicable) and investors generally are not permitted to withdraw or redeem interests in a Fund (or other relevant Private Investment Fund, as applicable).

Principals or other employees of the Advisers or their affiliates generally receive a portion of the Management Fee, carried interest or other compensation received by the Advisers or their affiliates.

In addition to the Management Fee and carried interest payable to Symphony, each Fund bears certain expenses. As set forth in the applicable Partnership Agreement and subject to any limitations set forth therein, each Fund generally bears all expenses to the extent not paid by portfolio companies, including, without limitation: (i) all costs, expenses, liabilities and obligations attributable to acquiring, holding and disposing of such Fund's investments (including travel and, where appropriate, meal and entertainment expenses, interest on money borrowed by such Fund, the Management Company or the General Partner on behalf of such Fund, registration expenses and brokerage, finders', custodial and other fees), (ii) legal, accounting, auditing, insurance, litigation and indemnification costs and expenses, judgments and settlements, consulting, finders', financing, appraisal, filing and other fees and expenses,

(iii) expenses of a Fund's advisory board incurred in accordance with such Fund's Partnership Agreement, (iv) all costs, expenses, liabilities and obligations incurred by such Fund, the General Partner or their affiliates relating to investment and disposition opportunities for such Fund not consummated (including legal, accounting, auditing, insurance, travel, consulting, finders', financing, appraisal, filing, printing, real estate title and other fees and expenses; such expenses are hereinafter referred to as "**Broken Deal Expenses**") including Broken Deal Expenses relating to transactions that have been offered to co-investors, (v) all out-of-pocket fees and expenses incurred by such Fund, the General Partner or their affiliates in connection with any conference or meeting of the limited partners and related meal and entertainment expenses, (vi) any taxes, fees and other governmental charges levied against such Fund, (vii) any private placement or finders' fees and expenses paid to third parties in connection with the organization and funding of such Fund, (viii) costs and expenses that are classified as extraordinary expenses under U.S. GAAP, and (ix) a portion of certain organizational expenses. The Funds generally are not responsible for the Advisers' expenses in connection with maintaining and operating their offices (such as compensation of their employees, rent, utilities and general office expenses). To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

In some cases, a co-investment vehicle may be formed to invest in portfolio companies alongside one or more Funds in connection with the consummation of a transaction, subject to Symphony's related policies and the relevant Partnership Agreement(s) and/or Side Letter(s). Where a co-investment vehicle is formed, such entity often will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, no co-investment vehicle generally will have been formed, and all Broken Deal Expenses relating to such unconsummated transaction will be borne by the Fund or Funds selected by the applicable General Partner as proposed investors for such proposed transaction, and not by any prospective co-investors that were to have participated in such transaction, to the extent set forth in the applicable Partnership Agreement. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

The Advisers and/or their affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation may give rise to potential conflicts of interest between the Funds, on the one hand, and the Advisers and/or their affiliates on the other hand.

Any future Private Investment Funds are expected to have fee structures generally similar to those described above.

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

As described under "Fees and Compensation," the General Partners are entitled to a carried interest allocation on certain realized profits of the Funds. The General Partners do not advise any vehicles that do not charge a performance-based fee.



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

## **TYPES OF CLIENTS**

Symphony provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors participating in Private Investment Funds may include individuals, banks or thrift institutions, insurance companies, pension and profit-sharing plans, trusts, estates or charitable organizations, corporations or other business entities or other investment entities, and may include, directly or indirectly, Principals or other employees of Symphony and its affiliates.

The Funds generally have a minimum investment amount of at least \$2 million for third-party investors, which could be waived by the applicable General Partner. Fund interests are generally offered and sold to “qualified purchasers” as defined in the Investment Company Act (or qualified knowledgeable Symphony employees).

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

### **General**

Each General Partner has selected the Management Company to provide day-to-day investment advisory services to the relevant Fund, subject to the General Partner’s supervision. Since the Advisers share common owners and personnel, the Advisers’ general investment methodology is described below. Fund investors should review a Fund’s private placement memorandum for further information regarding the investment strategies specific to that Fund. There can be no assurance that the Advisers will achieve the investment objectives of a Fund and a loss of investment may be possible.

### **Investment and Operating Strategy**

The Advisers primarily focus on making control equity investments in middle-market software and technology-enabled services businesses of scale. The Advisers leverage a combination of investment expertise and business transformation to build software and services companies. Each Fund’s portfolio companies typically have a strong existing franchise at the time of such Fund’s investment, including a recurring revenue base of sticky customers and leverageable intellectual property. Target businesses generally also have the potential for transformation, including cost transformation, innovation potential, and growth opportunities. Finally, target investments typically are valued at less than 1.25x revenue and/or less than 8x EBITDA.

Post-closing, the Advisers utilize their expertise in order to attempt to simultaneously drive growth, innovation and cost transformation at its portfolio companies. The Advisers

proactively build (where not already present) and partner with management teams to deliver increased value to clients, to retain the best talent and to improve business performance.

Consistent with the above described elements of its investment strategy, the Advisers principally focus on three different facets of each portfolio investment: (1) growth through innovation; (2) cost transformation; and (3) financial engineering and effective deal structuring.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Fund include, but are not limited to, those described below. Investors should review a Fund's private placement memorandum for information regarding the risks specific to an investment in that Fund.

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

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

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

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

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

*Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized.

The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Leveraged Investments.* The Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage by the Fund will also result in interest expense and other costs. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Fund invests generally will not be rated by a credit rating agency. The Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt). The use of leverage by the Fund also will result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. The Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by the General Partners or any of their affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by the Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund.

*Early-Stage / Start-Up Investments.* The Fund may make investments in start-up and early-stage companies, which have inherently greater risk than more established businesses. The growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund will be successful.

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

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

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

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

Projections. Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general

economic factors, which are not predictable, can have a material effect on the reliability of projections.

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

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

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

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

*Non-U.S. Investments.* The Fund may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules

to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the Partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

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

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

*General Partner's Carried Interest.* The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more-speculative investments or to hold an investment longer than otherwise would be the case.

*Transfer by General Partner.* To the extent the General Partner, its partners, the Principals and/or their respective affiliates commit to make a direct or indirect investment in or alongside the Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

*Public Company Holdings.* The Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

*Director Liability.* The Fund often seeks to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it

invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's portfolio companies.

Market Conditions. The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments.

Material Non-Public Information. As a result of the operations of Symphony and its affiliates, Symphony frequently comes into possession of confidential or material non-public information. Therefore, Symphony and its affiliates may have access to material, non-public

information that may be relevant to an investment decision to be made by a Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Symphony's internal policies. Due to these restrictions, the Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Valuation of Investments.* Generally, the General Partner will determine the value of all the Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of the Fund's investments because, among other things, the securities of portfolio companies held by the Fund generally will be illiquid and not quoted on any exchange. The General Partner will determine the value of all the Fund's investments that are not readily marketable based on an analysis of various data points using a combination of the following valuation methods: public company comparable multiples, precedent transaction comparable multiples, and discounted cash flows analysis. A third-party valuation firm generally performs year-end valuations in collaboration with Symphony. There can be no assurance that the General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information or valuations provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of the General Partner with respect to an investment will represent the value realized by the Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the Fund's investment portfolios and risks, and may also affect the diversification and management of the Fund's portfolio of investments.

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

## **Conflicts of Interest**

Symphony and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, investment advisory, legal, management and other services to Funds and portfolio companies. Symphony will devote such time, personnel and



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

During a Fund's active investment period, the Principals will generally pursue all appropriate investment opportunities that meet the investment criteria of such Fund (the "Primary Fund") principally for the benefit of the Primary Fund, subject to certain exceptions set forth in the applicable Partnership Agreement. However, the Principals currently manage, and expect in the future to manage, several other Private Investment Funds and investments similar to those in which the Primary Fund may invest and may direct certain relevant investment opportunities to those investment funds and investments. The Principals and the Advisers' investment staff will continue to manage and monitor such Private Investment Funds and investments, although the Principals expect that the time required to do so will be less than will be spent on Primary Fund matters. Such other Private Investment Funds and investments that the Principals may control may compete with the Primary Fund or companies acquired by the Primary Fund. At such time as the Advisers are permitted to raise a successor investment fund or when the Primary Fund's active investment period otherwise ends, the Principals will continue to manage the former Primary Fund's investments, but also may, and likely will, focus investment activities on other opportunities and areas unrelated to the former Primary Fund's investments.

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

Symphony must first determine which Fund will, or is required to, participate in the relevant investment opportunity. Symphony generally assesses whether an investment opportunity is appropriate for a particular Fund based on the applicable Partnership Agreement and conflicts provisions therein, investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk. Symphony will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund and any such excess may be offered to one or more potential co-investors, as determined by the applicable Partnership Agreements and Side Letters. Symphony's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: knowledge and experience in financial and business matters necessary to make the investor capable of evaluating the merits and risks of the prospective investment, expertise in the industry to which the

investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory and/or securities law considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); and other appropriate factors.

When and to the extent that employees and related persons of Symphony and its affiliates make capital investments in or alongside certain Funds, Symphony and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Symphony's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Symphony will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Symphony may be subject, discussed herein, did not exist.

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by the Advisers in their sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, an Adviser may face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, an Adviser may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. The Advisers intend to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which

another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. An Adviser and its affiliates may express inconsistent views of commonly held investments or of market conditions more generally. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions may be taken for one or more Funds that adversely affect other Funds.

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

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Symphony or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As discussed under “Fees and Compensation,” an Adviser, its personnel or its affiliates may provide certain business or consulting services to a Fund portfolio company and, in general, any compensation received for such services and expense reimbursements related to such services do not offset such Fund’s Management Fee. Since the Advisers are permitted to retain such fees, the Advisers face a potential conflict of interest when approving transactions that lead to such compensation and establishing the terms of such compensation.

As a result of the Funds’ controlling interests in portfolio companies, Symphony and/or its affiliates typically have the right to appoint board members to such portfolio companies, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Symphony and/or its affiliates. Symphony and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by the Advisers and/or their affiliates. Additionally, the Advisers, their affiliates and/or personnel maintain relationships with (or may invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Advisers and/or their affiliates, and/or the Funds or other investment vehicles they advise. In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by the Advisers and/or their affiliates that may regularly

provide services to one or more Fund portfolio companies), and such fees will not offset the Management Fee as described herein.

Additionally, a portfolio company typically will reimburse Symphony or a service provider retained at Symphony's discretion for expenses (including without limitation travel and meal expenses) incurred by Symphony or such service provider in connection with its performance of services for such portfolio company. This subjects Symphony and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Symphony determines the amount of these reimbursements for such services in its own discretion, subject to internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, any fee paid or expense reimbursed to Symphony or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

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

Symphony, its affiliates, and equity holders, officers, principals and employees of Symphony and its affiliates may buy or sell securities or other instruments that Symphony has recommended to a Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of Symphony have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

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

Any of these situations subjects Symphony and/or its affiliates to potential conflicts of interest. Symphony attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Symphony's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. The Advisers believe that the significant investment of the Principals in each Fund, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of each Fund's limited partners, although the Principals have economic interests in other Private Investment Funds and investments as well and may receive Management Fees and carried interests relating to such interests. In the event a conflict of interest arises, the Advisers will attempt to resolve such conflict of interest in light of their obligations to Fund investors, and will attempt to allocate investment opportunities in a fair and equitable manner. Where necessary, the Advisers may consult with and receive consent to conflicts from an advisory committee consisting of certain Fund investors. Certain investments may be allocated among the Funds, including any successor Private Investment Fund, in a manner as set forth in the applicable Partnership Agreements.

#### **DISCIPLINARY INFORMATION**

Each of the Advisers and its management persons has not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

The Management Company is affiliated with each of the General Partners. In accordance with applicable SEC guidance, while none of the General Partners are required to be registered separately as an investment adviser under the Advisers Act, each General Partner is relying on the Management Company's registration as an investment adviser and is deemed by the SEC to be a registered investment adviser. Therefore, each General Partner also operates in compliance with the Advisers Act.

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

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of the Advisers' Principals and employees and addresses conflicts that arise from personal trading. Subject to limited exceptions set forth in the Code, the Code requires all of the Advisers' personnel to report periodically their personal securities transactions and holdings to the Advisers' Chief Compliance Officer and to obtain approval from the Advisers' Chief Compliance Officer prior to acquiring or disposing of, directly or indirectly, beneficial ownership of certain restricted securities or acquiring, directly or indirectly, beneficial ownership of securities in an initial

public offering or in a limited offering. A copy of the Code will be provided to any client or prospective client upon request to Symphony's Chief Compliance Officer at (650) 935-9500. Personal securities transactions are required to be conducted in a manner that prioritizes the Funds' (or any other client's) interests in eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers' personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in one or more Private Investment Funds, including in co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds, subject to any limitations set forth in the applicable Partnership Agreements. Fund II is a proprietary fund and substantially all capital invested in Fund II came from Dr. Romesh Wadhvani. With respect to Fund III, Symphony and its affiliates committed to invest, directly or indirectly, approximately 40% of Fund III's aggregate Commitments. With respect to Fund IV, Symphony and its affiliates committed to co-invest an amount equal to 30% of the Fund's aggregate Commitments.

The Advisers and their affiliates, Principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar. Each Fund's Partnership Agreement generally limits the extent to which persons affiliated with the Advisers and/or other investment vehicles managed by the Advisers and their affiliates may invest in investments that are held, suitable for or being pursued by a Fund.

### **BROKERAGE PRACTICES**

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they would expect to follow the brokerage practices described below.

If the Advisers sell publicly traded securities for a Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

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

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services. As a general matter, any such research may be shared between the Advisers and their affiliates and may be used to service one or more of the Private Investment Funds regardless of which Private Investment Fund paid the brokerage commission being applied toward payment for such research services. There is no agreement or formula for the allocation of brokerage business on the basis of research services.

To the extent that the Advisers engage in any public securities transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several Private Investment Funds at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund is favored over any other Private Investment Fund.

## **REVIEW OF ACCOUNTS**

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Management Company and the applicable General Partner closely monitor companies in which each Fund invests, and the Advisers’ Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives as set forth in the applicable Partnership Agreement.

Each Fund generally provides to its limited partners (i) on a quarterly basis (for the first three quarters of the fiscal year) unaudited financial statements and information regarding net Management Fee reductions and (ii) on an annual basis (A) audited financial statements, (B) tax information necessary for each limited partner's tax return, (C) valuations of such Fund's investments and (D) information regarding the aggregate amount of compensation paid by a Fund's portfolio companies to Symphony and its affiliates as compensation for services provided in the ordinary course of business to such portfolio companies or by such persons as employees of such portfolio companies.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

An Adviser, its personnel and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services in addition to the Management Fee. Such compensation and any related expense reimbursements are generally not subject to a Fund's Management Fee offset. An Adviser and/or its affiliates may also receive certain other fees from a Fund's portfolio companies as described in "Fees and Compensation."

From time to time, an Adviser and/or its affiliates may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees payable to any such placement agents generally will be borne by the Advisers directly or indirectly through an offset against the Management Fee or otherwise, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, may be borne by the relevant Fund(s).

#### **CUSTODY**

The Advisers maintain custody of each Fund's assets held in such Fund's name with the following qualified custodians: Silicon Valley Bank, UBS Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley Private Wealth Management (a division of Morgan Stanley Smith Barney LLC).

#### **INVESTMENT DISCRETION**

The Advisers have discretionary authority to manage investments on behalf of each Fund. As a general policy, the Advisers do not allow clients, including investors in the Funds, to place limitations on this authority. The Advisers assume this discretionary authority pursuant to the terms of the applicable Partnership Agreement, Management Agreement and powers of attorney executed by the limited partners of a Fund. Pursuant to the terms of the applicable Partnership Agreement, however, a Fund or the Advisers may enter Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in such Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.



## **VOTING CLIENT SECURITIES**

The Advisers have adopted Proxy Voting Policies and Procedures (the “Proxy Policy”) to address how they will vote proxies, as applicable, for each Fund’s (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of each Fund, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of each Fund’s investors, for example, through the Principals’ beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives set forth in the Proxy Policy. Additionally, a Fund’s advisory board may be authorized to approve the Advisers’ vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by the Advisers’ personnel or the Advisers’ receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of each Fund. Clients or prospective clients that would like a copy of the Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact the Firm’s Chief Compliance Officer, at (650) 935-9500, and such information will be provided free of charge.

## **FINANCIAL INFORMATION**

None of the Advisers require or solicit prepayment of Management Fees more than six months in advance and do not have any other events requiring disclosure under this item of the Brochure.