

VII Peaks-KBR BDC Advisor II, LLC

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February 27, 2013

This brochure provides information about the qualifications and business practices of VII Peaks-KBR BDC Advisor II, LLC. If you have any additional questions about the contents of this brochure, please contact us at 415-727-8756. The information in this brochure has not been approved or verified by the State of California, or by any other state securities authority, or by the United States Securities and Exchange Commission.

VII Peaks-KBR BDC Advisor II, LLC is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about VII Peaks-KBR BDC Advisor II, LLC is available at the following website: <http://www.adviserinfo.sec.gov>. This web site also provides information about any of our personnel who are registered, or are required to be registered, as investment adviser representatives of VII Peaks-KBR BDC Advisor II, LLC.

Item 2. Material Changes

This brochure dated February 6, 2013 has been prepared according to the requirements of Part 2A of Form ADV. This brochure has been prepared in connection with VII Peaks-KBR BDC Advisor II, LLC's initial application with the State of California for registration as an investment adviser.

In the future, this Item will discuss only specific material changes that are made to the brochure and our business since the most recent annual update of our brochure, and to provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

To request a current copy of our brochure, contact VII Peaks-KBR BDC Advisor II, LLC at 415-727-8756.

Item 3. Table of Contents

ITEM 2. MATERIAL CHANGES.....	2
ITEM 3. TABLE OF CONTENTS.....	3
ITEM 4. ADVISORY BUSINESS.....	4
ITEM 5. FEES AND COMPENSATION	5
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	6
ITEM 7. TYPES OF CLIENTS	7
ITEM 8. METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	7
ITEM 9. DISCIPLINARY INFORMATION	13
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	13
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	14
ITEM 12. BROKERAGE PRACTICES	15
ITEM 13. REVIEW OF ACCOUNTS.....	16
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION	16
ITEM 15. CUSTODY	16
ITEM 16. INVESTMENT DISCRETION	17
ITEM 17. VOTING CLIENT SECURITIES.....	17
ITEM 18. FINANCIAL INFORMATION.....	17
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS	18

Item 4. Advisory Business

VII Peaks-KBR BDC Advisor II, LLC (“Advisor” or “we”) is a Delaware limited liability company which has been in business since February 2012.

The principal owners of Advisor are certain entities and individuals, as follows:

- Advisor is directly owned by VII Peaks-KBR, LLC, an entity controlled by VII Peaks Capital LLC and KBR Capital Advisors, LLC.
- VII Peaks Capital LLC is an entity controlled by Gurpreet S. Chandhoke and Stephen F. Shea.
- KBR Capital Advisors, LLC is an entity controlled by KBR Capital Partners, Inc., which is in turn, controlled by Vinay Kumar.

Advisor is an investment adviser that was formed for the purpose of providing investment advisory services to business development companies and other investment funds (each a “Client” and collectively, the “Clients”). Advisor is responsible for identifying potential investments for its Clients. Advisor evaluates such investments based on the investment objectives and policies of its Clients, as adopted by their boards of directors or other governing bodies. If Advisor determines that certain investments are appropriate, and Advisor’s investment committee approves such investments, Advisor will effectuate the investments on behalf of its respective Clients. On an ongoing basis, Advisor monitors current and potential investments to determine what securities are appropriate for purchase, sale or retention by its Clients.

At present, Advisor has a single Client, VII Peaks-KBR Co-Optivist Income BDC II, Inc. (the “Company”). The Company is an externally managed, non-diversified closed-end management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (“Company Act”). The Company primarily invests in discounted traded corporate debt and equity-linked debt securities of public and private companies.

While Advisor generally specializes in the investment and recommendation of discounted traded corporate debt securities of public and private companies, Advisor does not hold itself out as specializing in a particular type of advisory service. Advisor’s advisory services are discretionary in nature and consist of the ongoing and continuous review of each Client’s investments.

Although Advisor employs a particular investment strategy for the Company, Advisor tailors its services to the specific needs of the Company by limiting the holdings of the Company’s portfolio to address certain legal, regulatory and tax purposes or as may be directed by the Company’s governing documents. The Company may communicate to

Advisor restrictions on securities, asset classes, custodians, mutual funds holdings or any other restriction it would like to impose on its portfolios.

The Advisor does not participate in wrap fee programs.

As of December 31, 2012, Advisor had approximately \$7,127,000 in discretionary assets under management, and no assets on a non-discretionary basis.

Item 5. Fees and Compensation

Fees for services to future Clients will be determined on a case-by-case basis, as negotiated with each particular Client. Advisor is compensated by the Company for its services under the investment advisory agreement between the parties.

Under the investment advisory agreement with Company, Advisor is entitled to a fee consisting of two components — a base management fee and incentive fees, as follows:

Type of Fee	Amount	Payable
Base Management Fee	Base management fee is calculated as follows: <ul style="list-style-type: none">• 2.00% if Company's net assets are below \$100 million;• 1.75% if Company's net assets are between \$100 million and \$250 million; and• 1.50% if Company's net assets are above \$250 million.	Monthly in arrears
Subordinated Incentive Fee on Income	20% but subordinated to a return on adjusted capital equal to 2.0% per quarter, or an annualized rate of 8.0%	Quarterly in arrears
Incentive Fee on Capital Gains	20.0%	Determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory agreement)

Lower fees for comparable services may be available from other sources.

Fees are paid by the Company, or its agents, upon invoice or other demand by Advisor, rather than deducted from the Company's assets by the Advisor itself. The Advisor does not require the Company to pay its fees in advance.

In addition to the management and incentive fees paid by the Company, the Company will incur other expenses such as administrative expenses incurred in connection with the operation of the Company or the investment portfolio. Expenses paid by the Company will also include brokerage, transactional, custodial, transfer-agent or other costs. Please see Item 12 for information regarding certain trading execution costs that may be incurred by Clients of Advisor.

Additionally, shareholders in the Company are subject to shareholder transaction expenses that are a one-time up-front fee, calculated as a percentage of the public offering price and made up of selling commissions, dealer manager fees and offering expenses.

All such fees are discussed in the prospectus and other relevant governing documents of the Company. Investors and prospective investors in the Company should review offering documents for any particular investment carefully before investing.

Neither the Advisor nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As noted above in Item 5, Advisor may receive performance-based fees in the form of the incentive based fees under its contract with the Company. Such performance-based fees will only be charged in accordance with the provisions of California Code of Regulations Section 260.234.

The potential conflict of interest presented when an adviser manages a performance-based fee account side-by-side with accounts that are charged another type of fee, is not present in this context because Advisor currently only manages one account (i.e., for the Company).

In theory, Advisor may also have an incentive to take increased investment risk with respect to its management of the Company as a result of the potential to earn performance-based fees or carried interest. Advisor has policies and procedures in place designed to address this and similar potential conflicts, and to ensure investment decisions are made consistent with the Company's size, investment objectives, risk tolerance, return targets, diversification considerations, and liquidity needs.

Further, in addition to their advisory services to the Company, certain supervised persons of Advisor, in their capacity as portfolio managers for Advisor's affiliate, VII Peaks Capital LLC, also manage other accounts ("VII Peaks Accounts"). These accounts all pay

performance-based fees to VII Peaks Capital LLC similar to those paid to Advisor by the Company. The performance-based fees paid by each of the VII Peaks Accounts and/or the Company may vary in terms of fee rate. Thus, there may potentially be an incentive to favor accounts that have a higher performance-based fee. Advisor and VII Peaks Capital LLC have policies and procedures in place designed to address this and similar potential conflicts, and to ensure investment decisions are made consistent with their fiduciary obligations.

The Company and the VII Peaks Accounts may have the same or substantially similar investment objectives, and thus, the Advisor and its affiliates may face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments, which they will attempt to resolve in a fair and equitable manner, but which may result in actions that are not strictly in the best interests of the Company's shareholders. However, to the extent investment opportunities are identified that satisfy the investment parameters of more than one account, such opportunities are allocated in accordance with the policies and procedures of Advisor and VII Peaks Capital LLC and in accordance with the relevant governing documents of each such account. Advisor's policies and procedures for allocation are monitored by the Company's Board of Directors and Advisor's Chief Compliance Officer.

Item 7. Types of Clients

As discussed above, Advisor currently provides advisory services only to the Company, which is a BDC that primarily invests in discounted traded corporate debt and equity-linked debt securities of public and private companies.

Advisor has no minimum requirements for opening or maintaining an account, however, the offering documents for the Company set forth a minimum offering requirement of \$1,000,000 which was satisfied in July 2012. Additionally, the Company may require that investors in the Company meet a minimum capital commitment. Such minimums are established by the governing documents of the Company. Presently, the Company will accept subscriptions for a minimum purchase of \$5,000, although it may, in its sole and absolute discretion, accept subscriptions for lower amounts.

Item 8. Method of Analysis, Investment Strategies and Risk of Loss

As investment adviser to the Company, Advisor is responsible for sourcing potential investments, conducting research on prospective investments, analyzing investment opportunities, structuring the Company's investments, and monitoring its investments and portfolio companies on an ongoing basis. On behalf of the Company, Advisor seeks to invest in discounted corporate debt and equity-linked debt securities of public and private companies that trade on the secondary loan market for institutional investors and provide

distributions to investors. At the same time, we will actively work with the target company's management to restructure the underlying securities and improve the liquidity position of the target company's balance sheet.

We employ a proprietary "Co-Optivist™" approach ("cooperative activism") in executing our investment strategy (Co-Optivist™ is a registered trademark of VII Peaks Capital, LLC and is being used with their permission). Our Co-Optivist™ approach entails investment in the corporate debt and equity-linked debt securities of target companies, or Target Investments, in conjunction with proactively engaging the target companies' management. We seek to acquire Target Investments whose debt securities trade on the over-the-counter market for institutional loans at a discount to their par redemption value, and will be subject to a "redemption event" within (on average) 24 months. We define a "redemption event" as a maturity event or a put event (where investors in the target company's debt security can have a redemption right at a pre-determined price). We generally intend to hold such debt an average of 12 – 18 months, during which time we anticipate working actively with the target company's management to effect and/or participate in a restructuring or exchange of the invested securities for new securities. We will make investments in target companies that meet our investment criteria.

As described in the Company's prospectus, the size of an individual investment will vary based on numerous factors, including the amount of funds raised in the offering. The Company does not anticipate being heavily invested in any one industry, and generally, we do not expect to invest in more than two different classes of debt of the same target company.

The Company seeks to invest in discounted corporate debt and equity-linked debt securities of companies that have a perceived risk of near term liquidity issues but have solid business fundamentals and prospects, including historical revenue growth, positive cash flow, significant and sustainable market presence, and sufficient asset coverage. We aim to take a principal position in discounted debt securities with the primary goal of restructuring the terms of the debt to allow the target company to increase its liquidity and strengthen its balance sheet. Our typical target company has a debt redemption event (typically either a put or maturity event) on average within 24 months of our investment and has experienced a significant decline in its equity value reflective of a highly leverage capital structure or general market conditions. We believe that proactively guiding such companies to restructure their debt will allow them to increase liquidity and free up resources to grow their businesses rather than focusing on managing their debt obligations. We also believe that our involvement can allow the target company more flexibility to explore strategic alternatives, since the terms of the existing debt structure often limits strategic options for the target company.

The following is our primary investment criteria for our target companies:

- minimum enterprise value of \$200 million;

- solid business fundamentals, such as historic revenue growth, profitability and cash flow generation, and favorable prospects for continued improvement in financial performance;
- sufficient asset coverage of at least one and a half times the amount of our potential investment for outstanding liabilities;
- debt or equity-linked debt trading at a discount to par or at a premium yield in secondary loan markets due to a perceived risk of near term liquidity issues;
- balance sheet with debt to total capitalization of at least 50% or high debt to equity ratios; and
- near term redemption (maturity or put) event on its debt creating an upcoming liquidity shortfall.

The Company seeks to invest in debt and equity-linked debt of target companies with a minimum enterprise value of \$200 million and whose debt and equity-linked debt is actively traded in the secondary loan market. The securities that we target include high-yield debt, bank debt, convertible debt, and collateralized loan obligations (“CLO”), which are high-yield loans securitized into pools containing varying degrees of credit rating. The Company’s portfolio is expected to be predominantly composed of fixed-rate high-yield and equity-linked corporate debt securities. However, we may also purchase senior secured corporate debt securities which may have variable interest rates. We currently anticipate that the portion of the Company’s portfolio composed of variable rate corporate debt securities, if any, will not exceed 20%, but we may increase that to 33% of our aggregate portfolio at the time of any purchase depending on market opportunities.

In addition to the investments noted above, we may invest up to 30% of the Company’s portfolio in opportunistic investments, including, but not limited to, high-yield bonds, private equity investments, distressed debt investments and securities of public companies that are not thinly traded. We expect that these public companies generally will have debt securities that are non-investment grade. We also may invest in debt securities of middle-market companies located outside of the United States.

All investments by us will be subject to oversight by the Company’s board of directors, a majority of whom are independent directors with no material interests in such transactions.

In each of the Company’s debt investments, the Company will seek to become an influential investor, typically either through the size of our position or cooperation with other debt holders to pursue the shared goal of a beneficial debt restructuring. We intend to actively work with other debt holders and the target company management to potentially restructure and exchange the existing debt for new securities with amended terms.

In connection with our investments, we will actively pursue various hedging strategies to manage the volatility and risk profile of our overall investment portfolio, which may include purchasing derivatives or other securities. We do not anticipate that such equity exposure including overall hedging costs will exceed 5% of the overall portfolio.

Investing in securities, including in the Company, entails a number of significant risks, including the potential loss of invested principal, that should be considered before making an investment. The possibility of a partial or total loss of capital will exist, and investors must be prepared to bear capital losses that might result from such investments. An investment in the Company should be considered only by persons who can afford a loss of their entire investment. While certain strategies may offer the potential for greater growth, these same strategies may have greater potential volatility.

While it is Advisor's intent to reduce risk when possible, certain strategies may impose more risk than others. In considering participation in the Company, an investor should be aware of certain risk factors, which include, but are not limited to, the following:

Leveraged Investments. The capital structures of our target companies may have significant leverage, which may increase the Company's exposure to adverse economic factors. Our target companies may have capital structures with significant leverage. To the extent our target companies are levered, such leverage may increase our exposure to adverse economic factors such as rising interest rates, downturns in the general economy or deterioration of the condition of the target company or its sector in its particular industry. The Company may purchase debt securities of companies that are experiencing significant financial or business stress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such purchases involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these instruments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial stress is unusually high. There is no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which we invest, the Company may lose its entire investment or may be required to accept cash or securities with a value less than our original investment. Under such circumstances, the returns generated from our investments may not compensate investors in the Company adequately for the risks assumed.

Investment in Privately Held Companies. The Company invests a portion of its assets in privately held companies. Investments in private companies pose certain incremental risks as compared to investments in public companies, including the lack of available information about these companies. In addition, investments in private companies tend to be less liquid. Additionally, privately held companies:

- may have reduced access to the capital markets, resulting in diminished capital and other financial resources and lower ability to withstand financial distress and may be unable to meet their obligations under their debt securities, including those held by the Company;

- may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the portfolio company and, in turn, on the Company; and
- generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.

Exposure to risks associated with changes in interest rates. The Company is subject to financial market risks, including changes in interest rates. We expect the Company's portfolio to be predominantly composed of fixed-rate high-yield and equity-linked corporate debt securities, but we may also purchase senior secured corporate debt securities which may have variable interest rates. Accordingly, general interest rate fluctuations may have a substantial negative impact on our investments and investment opportunities and, therefore may have a material adverse effect on the Company's investment objectives and rate of return on invested capital.

No control of portfolio companies. We do not expect to control our portfolio companies. Although the portfolio companies in which the Company invests, may request our assistance in the management of their affairs, we may not have director or shareholder controls over the business affairs of the companies to which the Company loans capital. As a result, the Company is subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Company's interests as debt investors. Due to the limited liquidity for the debt investments in such portfolio companies, we may not be able to dispose of the Company's interests in its portfolio companies as readily as we would like or at an appropriate valuation. As a result, a portfolio company may make decisions that could decrease the value of the Company's portfolio holdings.

Illiquidity. An investment in the Company should be viewed as illiquid. There is currently no public market for shares of the Company and no market for such shares is expected to develop for the foreseeable future. Because there is no public trading market for the Company's shares and the Company is not obligated to effectuate a liquidity event by a specified date, it will be difficult for you to sell your shares. While the Company intends to conduct quarterly tender offers for a limited number of its shares pursuant to the Company's share repurchase program beginning with

the first calendar quarter following the one-year anniversary of achieving the minimum offering requirement, the Company is not required to do so and it may suspend or terminate the share repurchase program at any time.

Concentration of Investments. The offering of the Company is a “best efforts” offering and, unless or until the Company is able to raise substantial funds then we will be more limited in the number and type of investments we may make. As a result, our ability to diversify will be constrained. Thus, in such event the performance of a few holdings may substantially affect the portfolio’s aggregate return. As a result, there is greater risk that the Company will be adversely affected by the unfavorable performance of even a single investment.

Uncertainty as to Value of Investments. Under the Company Act, the Company is required to carry its portfolio investments at market value or, if there is no readily available market value, at fair value as determined by the Company’s board of directors. We expect that a substantial portion of the Company’s investments will not trade on a national securities exchange or actively trade on a secondary market, but instead will trade on a privately negotiated over-the-counter secondary market for institutional investors. Certain factors that may be considered in determining the fair value of the Company’s investments include the nature and realizable value of any collateral, the portfolio company’s earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly-traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, the Company’s determinations of fair value may differ materially from the values that would have been used if a ready market for these non-traded securities existed. Due to this uncertainty, the Company’s fair value determinations may cause its net asset value on a given date to materially understate or overstate the value that may ultimately be realized upon the sale of one or more of its investments. A significant portion of the Company’s portfolio will be recorded at fair value as determined in good faith by its board of directors and, as a result, there will be uncertainty as to the value of the Company’s portfolio investments.

Hedging Activities. We may acquire various structured financial instruments for purposes of “hedging” or reducing the Company’s risks, which may be costly and ineffective and could reduce cash available for distribution to the Company’s stockholders. We may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using structured financial instruments such as futures, options, swaps and forward contracts, subject to the requirements of the Company Act. Use of structured financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in

losses both on the hedging transaction and on the instrument being hedged. Use of hedging activities may not prevent significant losses and could increase the Company's losses. Further, hedging transactions may reduce cash available to pay distributions to the Company's stockholders.

Reliance on Business and Investment Acumen of Advisor Personnel. Performance is largely dependent on the talents and efforts of certain individuals. There can be no assurance that Advisor's principals and other investment professionals will continue to be associated with Advisor and the failure to retain such investment professionals could have an adverse effect on the value of an investment.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Advisor or the integrity of Advisor's management. There are no material legal or disciplinary events to disclose related to Advisor's business or its management.

Item 10. Other Financial Industry Activities and Affiliations

As described in more detail elsewhere in this brochure, Advisor is itself the investment adviser to the Company, which is an externally managed, non-diversified closed-end management investment company that has elected to be treated as a BDC under the Company Act. There are certain inherent conflicts of interest that arise in connection with such relationship, however, each of the Advisor and the Company have adopted and implemented compliance policies and procedures designed to address such conflicts of interest and to otherwise ensure that the Advisor and the Company act consistent with applicable law. Further, both the Company and Advisor are subject to oversight by the Company's board of directors, a majority of whom are independent directors with no material interests in the Advisor.

Neither Advisor nor any of its management persons are registered, or have an application pending to register as a broker-dealer. However, as described in Item 4 above, the Advisor is affiliated with KBR Capital Markets, LLC ("KBR Capital Markets"). KBR Capital Markets is a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, Inc. ("FINRA"). KBR Capital Markets acts as the dealer-manager for the distribution of the shares of common stock of the Company and is a wholly-owned subsidiary of KBR Capital Partners, LLC. In light of the fact that KBR Capital Markets is affiliated with the Company, its diligence review and investigation of the Company and the relevant prospectus cannot be considered to be an independent review. Therefore, investors in the Company do not have the benefit of an independent review and investigation of the offering of the type normally performed by an unaffiliated, independent underwriter in a firm commitment underwritten public securities offering.

Additionally, certain of Advisor's personnel are registered representatives of Gordian Investment Solutions, LLC ("Gordian"), an SEC registered broker-dealer and member of FINRA. Gordian may charge brokerage commissions to effect securities transactions and a portion of these commissions may be paid by Gordian to these Advisor personnel registered representatives ("Gordian Reps"). A potential conflict of interest could exist to the extent that the Company or other Client of Advisor is also a brokerage customer of one or more Gordian Reps, however, the Company is not presently a brokerage customer of Gordian, nor is it expected that either the Company or any other Client will become one in the future.

Affiliates of Advisor also manage VII Peaks-KBR Co-Optivist B Fund I, LLC, VII Peaks-KBR Co-Optivist R Fund I, LLC and VII Peaks-KBR Co-Optivist B Fund II, LLC (the "Private Funds"), private funds that were formed to conduct private placements of securities and which have substantially similar investment objectives as the Company. The Adviser is also affiliated with VII Peaks Capital, LLC, an investment adviser registered with the SEC under the Investment Advisers Act of 1940. VII Peaks Capital, LLC is an investment management firm that currently serves as a sub-advisor to the Private Funds and to a number of separate managed accounts. The potential conflicts of interest presented by the affiliation with VII Peaks Capital, LLC and with its management of the Private Funds and the other KBR Accounts are further addressed in Item 6 above as well as in the relevant prospectus materials of the Company.

Advisor does not recommend or select other investment advisers for its clients.

Neither Advisor nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of such foregoing entities.

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

Advisor has adopted a Code of Ethics that applies to all of Advisor's supervised persons. The term "supervised person" includes any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of Advisor, or other person who provides investment advice on behalf of Advisor and is subject to Advisor's supervision and control. Advisor's supervised persons must certify on an annual basis that they have received, read and understood the Code of Ethics.

Advisor's Code of Ethics includes procedures for personal securities transactions by certain supervised persons, and procedures for approval of investment in initial public offerings and private offerings. Advisor will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact Advisor for a copy.

Advisor's Chief Compliance Officer, or his or her designee, is responsible for ensuring that Advisor receives quarterly transaction reports, duplicate brokerage confirmations and/or brokerage account statements, as applicable, for the personal securities accounts of certain Advisor supervised persons. A review of the trading activity of Advisor personnel with such securities accounts will be conducted periodically to ensure that the personnel comply with the personal trading policy of Advisor.

Neither Advisor nor a related person recommends to clients, or buys or sells for client accounts, securities in which the Advisor or a related person has a material financial interest.

Neither Advisor nor a related person invests in the same securities (or related securities) that the Advisor or a related person recommends to the Company, such that conflicts of interest arise in connection with personal trading by the Advisor or a related person in such securities. However, as detailed in Item 6 and Item 10 above, affiliates of Advisor also manage the Private Funds. To the extent the Private Funds or their general partners are themselves related persons of Advisor, these entities may invest in the same securities that Advisor recommends to the Company. The potential conflicts of interest presented by these circumstances and how the Advisor addresses these conflicts of interest, are further addressed in Item 6 above as well as in the relevant prospectus materials of the Company.

Item 12. Brokerage Practices

Advisor has the discretion, without limitation, to determine the broker-dealer used in effecting any transactions on behalf of the Company. Factors which Advisor considers in selecting broker-dealers include their respective financial strength, reputation, execution, pricing research and service.

Advisor has a fiduciary duty to seek to obtain best execution on behalf of each Client. In each case, brokers will be selected with a view to obtaining best execution of transactions. Advisor believes that best execution is typically achieved by seeking to obtain the best overall result, not necessarily by negotiating the lowest commission rate. Advisor seeks competitive commission rates but may not necessarily obtain the lowest possible rates for client transactions. Advisor will consider all factors it deems relevant including execution capabilities, financial stability of the broker, responsiveness, confidentiality, promptness, clearance, settlement, and price.

Advisor receives proprietary investment research in connection with client securities transactions. Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for such investment research products and/or services which assist Advisor in its investment decision-making process. Such research generally will be used to service all of Advisor's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. This conflict is mitigated by the fact that presently, Advisor only has one client, the Company. The receipt of investment research products and/or services as well as the

allocation of the benefit of such investment research products and/or services also poses a conflict of interest because Advisor does not have to produce or pay for the products or services. In fulfilling its duties to its clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Advisor's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Advisor's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

In light of the fact that Advisor presently only has one client, the Company, Advisor does not typically effect aggregate or block trades (where a purchase of securities is made at an average price and is later allocated to individual client accounts). In the event a transaction occurs which may be aggregated, the Company will receive shares on a pro-rata basis. Advisor has policies and procedures to address any potential conflicts which may arise as a result of aggregating trades.

Item 13. Review of Accounts

Advisor reviews Fund holdings on an ongoing basis, both informally and formally through periodically scheduled meetings of Advisor's Investment Committee, which is composed of Gurpreet Chandhoke, Stephen F. Shea and Bhavin Shaw. The Investment Committee has responsibility to select and oversee the investments recommended by Advisor. The Investment Committee is presented with a short-form overview of top priority targets, and approves those targets for which Advisor will proceed. Advisor then performs in-depth company and industry due diligence and valuation analyses, and presents a final memorandum to the Investment Committee for approval.

In addition, with respect to the Company's portfolio, assets are valued and reviewed on a quarterly basis by the Company's Board of Directors based on the recommendation of the Valuation Committee. Advisor personnel also prepare periodic written reports regarding the Company and its holdings which are reviewed by the Company's Board of Directors.

Item 14. Client Referrals and Other Compensation

Advisor does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to the Company. Advisor does not provide compensation to third-parties for Client referrals or for otherwise soliciting Clients on its behalf.

Item 15. Custody

Advisor does not have custody of Company assets. The Company's assets are custodied with a qualified custodian selected by the Company, subject to approval by its board of directors.

Item 16. Investment Discretion

Advisor has discretionary authority to manage the assets of the Company, as described in the investment management agreement and in the Company's governing documents. Details of this relationship are fully disclosed to investors in the Company via the prospectus and other fund disclosure documents.

The Company may communicate to Advisor restrictions on securities, asset classes, custodians, mutual funds holdings or any other restriction it would like to impose on its portfolios. Investment guidelines and restrictions are generally set forth in the investment management agreement or in the Company's governing documents.

Item 17. Voting Client Securities

Advisor may vote client securities (proxies) on behalf of its clients. When Advisor accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in Advisor's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Advisor's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. The guiding principle by which Advisor votes on all matters submitted to security holders is the maximization of the ultimate economic value of our Clients' holdings. Proxies voted on behalf of the Company will be voted in accordance with any applicable investment restrictions of the Company and, to the extent applicable, any proxy voting procedures or resolutions or other instructions approved by an authorized person of the Company.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Advisor maintains with persons having an interest in the outcome of certain votes, Advisor takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Additional information about how Advisor votes proxies can be obtained by making a written request for proxy voting information to: VII Peaks-KBR BDC Advisor II, LLC, 100 Pine Street, Suite 500, San Francisco, CA 94111

Item 18. Financial Information

This Item requires investment advisers to provide certain financial information or disclosures about their financial condition. Advisor does not require prepayment of fees six months or more in advance. Therefore it is not required to include a balance sheet with this Brochure. Advisor has no financial hardships or other conditions that might impair its

ability to meet its contractual obligations to Clients. Advisor has not been the subject of a bankruptcy proceeding.

Item 19. Requirements for State-Registered Advisers

Education and Business Backgrounds of Executive Officers and Management Persons

Gurpreet (Gurprit) S. Chandhoke

Gurpreet Chandhoke is the Chief Executive Officer of Advisor and a member of Advisor's Investment Committee. Mr. Chandhoke is a registered representative of Gordian Investment Solutions. Mr. Chandhoke was previously a registered representative of Internet Securities, Inc. from March 2012 to September 2012 and a registered representative of White Pacific Securities from June 2011 to March 2012. Mr. Chandhoke was previously a representative of Jesup & Lamont Securities Corp from October 2011 to June 2010. Mr. Chandhoke has also been a Managing Partner and Chief Investment Officer of VII Peaks Capital, LLC since April 2009. Prior to this, he was Senior Vice President of Deutsche Bank Technology Investment Banking Group in San Francisco from August 2006 to February 2009. Before working for Deutsche Bank's Technology Investment Banking Group, Mr. Chandhoke worked for UBS Investment Bank as an Associate Director from August 2005 to August 2006 and as a Summer Associate from June 2004 to August 2004. From July 2000 to July 2003 Mr. Chandhoke was a Senior ASIC Engineer with Terawave Communications. Mr. Chandhoke has more than six years investment banking experience. Mr. Chandhoke led several different types of debt issuances and restructuring discussions and transactions with technology companies and financial sponsors while at Deutsche Bank and UBS Investment Bank. During his tenure at both institutions he also participated in diverse corporate finance and M&A transactions in the internet, enterprise software and infrastructure and communications technology sectors. Mr. Chandhoke's responsibilities at Deutsche Bank and UBS Investment Bank also involved the issuance of debt securities ranging from bank debt, corporate debt, high yield and convertible debt securities. Mr. Chandhoke also worked on corporate finance transactions ranging from mergers and acquisitions, initial public offerings, follow-on offerings, debt issuances and recapitalizations at both Deutsche Bank and UBS Investment Bank.

Mr. Chandhoke was a student at the Wharton School of Business from September 2003 to May 2005. Mr. Chandhoke received a Master of Business Administration in Finance and Entrepreneurship from the Wharton School of Business in May 2005. Mr. Chandhoke also received a Master Degree of Science in Electrical Engineering and a Master Degree of Science in Mechanical Engineering from the University of Minnesota and a Bachelor's Degree in Electrical Engineering from the Government College of Engineering, University of Pune, India. Mr. Chandhoke was chosen as a J.N. Tata Scholar to pursue his graduate studies in the United States.

Bhavin Shah

Bhavin Shah is a member of Advisor's Investment Committee. Mr. Shah has been a director of VII Peaks-KBR Co-Optivist Income BDC II, Inc. since its inception. He has been a Managing Partner of KBR Capital Partners, LLC since 2010. Mr. Shah has spent the last 15 years in the investment management and private equity arenas. Mr. Shah's investments have ranged from publicly-traded debt securities and structured fixed income investments to purchases of hard and softasset portfolios and in- and/or out-of-court recapitalizations/buyouts. Mr. Shah was a Managing Director at Mount Kellet Capital Management from 2008 until 2010, a multi-strategy investment firm focused on global distressed, special situations and opportunistic investing. From 2006 to 2008, Mr. Shah served as a Managing Director of Oak Hill Advisors, a \$10 billion credit-oriented investment firm. Prior to this, Mr. Shah was a Principal/Vice President with the Carlyle Group's distressed and special situation arm, and led the firm's investment sourcing, structuring and execution efforts from 2002 to 2006.

Prior to earning his MBA from the Harvard Business School, Mr. Shah worked with Morgan Stanley's Princes Gate Investors. He also invested in cross-border infrastructure and technology opportunities at Soros Fund Management; and, he led engagements and helped open and grow the India offices at McKinsey and Company. In addition, Mr. Shah served at The White House as a Legislative Assistant to the President after graduating from the University of Michigan in Ann Arbor with Dual Bachelor of Arts degrees in Economics and Political Science with honors and distinction.

Stephen F. Shea

Stephen F. Shea is a member of Advisor's Investment Committee. Mr. Shea is a registered representative of Gordian Investment Solutions. Mr. Shea was previously a representative of Jesup & Lamont Securities Corp from September 2009 to June 2010. Stephen Shea is presently a Managing Partner of VII Peaks Capital, LLC. Prior to VII Peaks Capital, LLC, Mr. Shea worked as a consultant with investment banking and venture/private equity teams and helped registered investment advisers integrate and build out offerings into distribution channels with his long standing connections at Charles Schwab, Fidelity Investments, TD Ameritrade and other wire houses. Mr. Shea also advised hedge funds on new seeding opportunities in the commodities/futures space. Mr. Shea worked in institutional sales for Iron Capital Securities from March 2007 to August 2009. He served as Director of Sales for Beacon Pointe Advisors from October 2007 to October 2008 and Director of Sales for Brighton Jones from April 2007 to October 2007. Additionally, Mr. Shea worked in Sales for Fidelity Investments from October 2005 to March 2007. While with Fidelity Investments, Mr. Shea was Vice President of Institutional Sales RIA Team in San Francisco, spending the majority of his time as a director of sales for Institutional Investment Managers, RIA wealth management teams and banks and trust companies. In addition, Mr. Shea was responsible for the signing, business development and retention of SEC registered RIA relationships over \$250 million in San Francisco and the Pacific Northwest. Prior to working for Fidelity Investments, Mr. Shea worked for Baker Avenue Asset Management from February 2004 to October 2005. Mr. Shea worked at Wentworth, Hauser and Violich Investment Counsel from January 2000 to January 2004, where he was

a member of the Stock Selection and Investment Policy committees. He co-developed an open architecture WRAP, Sub-Advised, RIA platform and signed 16 Sub-Advised agreements raising \$4 billion. Before that, Mr. Shea worked at BT Alex Brown Incorporated and at Deutsche Bank Securities Inc.

Mr. Shea holds a BS in Business and Finance from St. Mary's College in California.

Robert Tuleya

Robert Tuleya has been our Chief Compliance Officer since March 2012. From December 2011 to the present, Mr. Tuleya has served as Counsel for Cipperman & Company and Director at Cipperman Compliance Services. In these roles, Mr. Tuleya is responsible for assisting clients, including investment advisers, in the design, implementation and management of customized compliance solutions. From March 2008 to December 2010, Mr. Tuleya worked as Senior Counsel with PNC Global Investment Servicing ("PNCGIS"). In July 2010, PNCGIS was acquired by The Bank of New York Mellon ("BNY Mellon"). While with PNCGIS and BNYMellon, Mr. Tuleya served as Chief Legal Officer of PNC Managed Investments Inc. (fka ADVISORport), an SEC-registered investment adviser providing managed account services. While at PNCGIS, Mr. Tuleya advised on legal, regulatory, and transactional issues related to managed account services, including SMA, UMA, and mutual fund wrap products. Beginning in January 2011 through March 2011, after the acquisition of PNCGIS by BNY Mellon, Mr. Tuleya worked with BNY Mellon's subsidiary Pershing LLC in the firm's Managed Account Solutions Division and with its subsidiary, Lockwood Advisors. From December 2000 to March 2008, Mr. Tuleya served as a Senior Counsel and Attorney-Adviser in the SEC's Division of Investment Management, Office of Investment Adviser Regulation.

Mr. Tuleya received his J.D. from Vanderbilt University School of Law and an A.B. from The College of William & Mary.

Vinay Kumar

Vinay Kumar is an indirect owner of the Advisor via his ownership of KBR Capital Partners Inc. Mr. Kumar has been a Managing Partner of KBR Capital Partners, LLC since March 2010. Mr. Kumar is also employed with Kuber International Inc. from 2001 to the present. Prior to this Mr. Kumar was the founder of two private equity funds KBR Fund, LP (formed in October 2007) and Kuber Ventures I, LP (formed in July 2005). From July 2005 to October 2007 Mr. Kumar was the Director of Business Development at Sierra Ventures, a venture capital firm.

Beginning in April 1997, Mr. Kumar spent eight years as an executive search consultant for Cambridge Executive Search and others, where he specialized in building management teams for portfolio companies of venture capital, private equity funds and management consulting firm. Mr. Kumar ran his family business in India from 1987 to 1995, and since the age of 19, he has been active in that country's real estate industry. Mr. Kumar has been a partner in various partnerships which have assembled over 4500+ acres of land for development in various regions throughout India.

Mr. Kumar graduated in 1987 with a Bachelor's Degree in Commerce and Accounting from Nagpur University.

Other Business.

Advisor is not actively engaged in any business other than giving investment advice to the Company.

Performance-Based Fees.

As described in Item 5 above, Advisor may be compensated for advisory services with two forms of performance-based fees. First, the Company may pay a 20% incentive fee based on the Company's income, which fee is subordinated to a return on adjusted capital equal to 2.0% per quarter, or an annualized rate of 8.0%. This subordinated incentive fee is calculated and payable quarterly in arrears. Second, the Company may pay a 20% incentive fee on capital gains. This incentive fee on capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory agreement). As discussed in Item 6 above, as a result of this potential to earn performance-based compensation, Advisor may have an incentive to make investments on behalf of the Company that may carry a higher degree of risk to the Company. Advisor has policies and procedures in place designed to address this and similar potential conflicts, and to ensure investment decisions are made consistent with the Company's size, investment objectives, risk tolerance, return targets, diversification considerations, and liquidity needs.

Involvement in Listed Events.

Neither Advisor nor a management person has been involved in the following listed events:

1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500 involving,
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statements, or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or
 - (e) dishonest, unfair, or unethical practices.
2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving,
 - (a) an investment or an investment-related business or activity;
 - (b) fraud, false statements, or omissions;
 - (c) theft, embezzlement, or other wrongful taking of property;
 - (d) bribery, forgery, counterfeiting, or extortion; or

(e) dishonest, unfair, or unethical practices.

Relationships or Arrangements with Issuers of Securities.

Other than as described in Item 10.C above, neither Advisor nor any of its management persons have any relationship or arrangement with any issuer of securities not listed in Item 10.C.

Statement Regarding Disclosure of Material Conflicts of Interest under California Code of Regulations Section 230.238(k).

Consistent with California Code of Regulations Section 260.238(k), there has been disclosure of all material conflicts of interest relating to the Advisor, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.