



## **Disclosure Brochure**

**December 9, 2015**

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This brochure provides information about the qualifications and business practices of VII Peaks Capital, LLC (hereinafter "VII Peaks Capital"). VII Peaks Capital is registered with the United States Securities and Exchange Commission ("SEC") as an investment adviser. That registration does not imply a certain level of skill and training. If you have any questions about the contents of this brochure, please contact Gurpreet S. Chandhoke at (415) 983-0127. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about VII Peaks Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Below is a summary of the material changes since the annual amendment to the Brochure dated March 31, 2015:

On August 25, 2015, this brochure was updated with the following changes:

1. Item 4 was updated to reflect the assets under management as of 7/31/15.
2. Item 5 was updated to state that VII Peaks may receive compensation for sitting on the boards of directors of portfolio companies for which it is seeking to help restructure. This item was also updated to reflect that VII Peaks will receive solicitation fees.
3. Item 8 was updated to provide a more comprehensive description of the risks of investing with VII Peaks Capital including, but not limited to, risks related to VII Peaks Capital's business, risks related to VII Peaks Capital in particular, and risks related to target investments.
4. Item 11 was updated to provide additional information about the conflicts of interest associated with investing in VII Peaks Capital.
5. Item 18 was updated to state that VII Peaks Capital does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance (rather than \$500 that was listed in the prior version) and it does have custody of client securities, therefore it is required to disclose any financial condition reasonably likely to impair its ability to meet contractual terms to clients.

Item 19 was updated to reflect the resignation of Bhavin Shah as a member of VII Peaks Capital's Investment Committee and Board of Directors of the VII Peaks Co-Optivist Income BDC, II, Inc. This item was also updated to reflect Stephen Shea's appointment to the Board of Directors of the VII Peaks Co-Optivist Income BDC, II, Inc. and to reflect Gurpreet Chandoke's service as a Director and Chairman of the Board of Directors of the and VII Peaks Co-Optivist Income BDC, II, Inc.

On December 9, 2015, this Brochure was updated with the following changes:

1. Item 4 was updated to reflect the assets under management as of 9/30/15.
2. Item 5 was updated to reflect that VII Peaks Capital has entered into an agreement with an investment adviser to raise capital for the Co-Optivist Funds.
3. Item 8 was updated to reflect that the BDC uses leverage and incurs indebtedness in order to lend money to portfolio companies and has established a revolving line of credit with a bank based on the value of the securities in the bank account. The BDC's securities in the account serve as collateral for the credit line.
4. Item 9 was updated to include litigation against VII Peaks and its principals.

5. Item 14 was updated to state that VII Peaks is not operating at a profit and the adviser's ability to procure additional capital is not assured. This may present a risk that the adviser may not be able to satisfy its contractual obligations to clients.

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#### **Item 4. Advisory Business**

VII Peaks Capital, LLC is a registered investment adviser focusing primarily on corporate debt investments and venture capital investments. VII Peaks Capital was formed in April 2009, and has been in business as a registered investment adviser since July 2010. Gurpreet S. Chandhoke and Stephen F. Shea are the principal owners of VII Peaks Capital.

VII Peaks Capital provides discretionary advisory services to separately managed accounts (“separate accounts”) and investment limited liability companies that are private investment pools: VII Peaks Venture Capital II, LLC, VII Peaks Venture Capital V, LLC, VII Peaks Venture Capital VI, LLC (“Venture Funds”), VII Peaks-KBR Co-Optivist B Fund I, LLC, VII Peaks-KBR Co-Optivist B Fund II, and VII Peaks-KBR Co-Optivist R Fund I, LLC (“Co-Optivist Funds”) and VII Peaks Co-Optivist Income BDC, II, Inc. (the “BDC”) (collectively referred to as the “Funds”). The Funds and the separate accounts are VII Peaks Capital’s current clients.

VII Peaks Capital tailors its advisory services by constructing portfolios that seek to meet the investment objectives, guidelines and other terms of each particular Fund and separate account it manages.

The Venture Capital Funds invest in the preferred equity securities of early stage private technology growth companies. These investments leverage the background and experience that the principals have in the technology industry through a collective career of investment banking and capital raising activities. The separate accounts’ investments are based on individual beneficial owners’ needs, generally focusing on non-performing corporate debt instruments. Some of the separate account clients also invest in one or more of the Funds.

The Co-Optivist Funds and the BDC invest generally 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. They may also invest in the equities of companies fit their investment objective of investing in undervalued companies that can benefit from a restructuring. At the same time, the Co-Optivist Funds and the BDC 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. They employ a proprietary “Co-Optivist”<sup>TM</sup> approach that entails proactively engaging the target company management on average 24 months prior to a redemption event (typically a put or maturity event) to create an opportunity for growth in the investments.

VII Peaks Capital is the investment manager of the Funds. Interests in the Funds with the exception of the BDC are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. Participation as an investor in the Funds is restricted to investors that are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended. In addition, investors also may be qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as amended.

This Brochure describes the business of VII Peaks Capital. Certain sections will also describe the activities of its Supervised Persons. Supervised Persons are any of VII Peaks Capital’s members and employees, or any other person who provides investment advice on VII Peaks Capital’s behalf

and is subject to VII Peaks Capital's supervision or control.

VII Peaks Capital has \$66,182,286 of assets under management as of September 30, 2015. VII Peaks Capital is not the sponsor or manager of a wrap fee program.

## **Item 5. Fees and Compensation**

***Separate Accounts.*** VII Peaks Capital generally receives an annual asset based fee (up to 1.5% per annum) from each separate account that it manages, and a fee based on the performance of the account ("incentive fee") of up to twenty percent (20%) of the net profit of each client account, subject to a preferred return of up to eight percent (8.00%) and a "high water mark."

The Separate Accounts Fee is calculated by subtracting the amount of the annual investment management fees that is retained by VII Peaks Capital and charged to a client as an expense of the Funds from the Gross Annual Investment Advisory Fee. The Net Annual Investment Advisory Fee is the fee that will be paid directly by a client for the services provided by VII Peaks Capital.

With respect to the separate accounts, VII Peaks Capital's annual base fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. VII Peaks Capital's incentive fee is charged annually, in arrears, based on the net gains of the client's portfolio at the end of the calendar period.

A minimum of \$250,000 of assets under management will typically be required for services. All separate account fees and account minimums are negotiable.

In addition to VII Peaks Capital's investment management or other fee, separate accounts will also bear administrative, custodial, brokerage and similar transaction costs or expenses associated with the account, as each separate account client's investment management agreement provides.

Clients may make additions to and withdrawals from their account at any time, subject to VII Peaks Capital's right to terminate an account. Additions may be in cash or securities provided that VII Peaks Capital reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account.

VII Peaks Capital's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

***Co-Optivist Funds and the BDC.*** VII Peaks Capital generally receives an annual asset based fee from each Co-Optivist Fund that it manages, generally 1.5% per annum of the value of the Fund's assets under management, charged quarterly in arrears. In addition, VII Peaks Capital is entitled to a special allocation of profits as described in the funds' offering materials.

***Venture Funds.*** VII Peaks Capital receives a one-time asset based fee from each Venture Fund that it manages, based on the capital commitment of each investor, charged in advance at the time of investment. In addition, VII Peaks Capital is entitled to a special allocation of profits at the time

the investment is realized. The amount of VII Peaks Capital's profit allocation is up to twenty percent (20%) as described in each Fund's agreement.

In addition to VII Peaks Capital's investment management fees and performance allocations, the Funds also bear all expenses incurred in connection with their operation and administration, including among other things, legal, accounting and audit fees and expenses, governmental fees and taxes and professional fees, communications with investors and all other reasonable costs related to the management and operation of each Fund.

The Funds' investments, with the exception of the BDC, are in private equity securities and are, therefore illiquid. Except for the BDC, investors may not withdraw from the Funds until the investment is realized.

***VII Peaks' Funds.*** In the event VII Peaks Capital conducts capital introduction services to portfolio companies in any of our Funds, VII Peaks Capital will receive compensation in the form of a commission from its affiliated broker-dealer. NOTE THAT THESE INVESTORS ARE MAKING A DIRECT INVESTMENT WITH THE UNDERLYING PORTFOLIO COMPANY AND NOT A MEMBER/INVESTOR IN THE SAID VII PEAK FUND(S).

In order to further its co-optimist investing approach, VII Peaks Capital currently receives compensation for serving on the board of one of the BDC's portfolio companies. Any compensation received in connection with this board membership has been transferred to the BDC and is identified on the BDC's financial statements as "Other Income." If VII Peaks Capital enters into any such arrangement in the future where it serves on the board of a fund portfolio company, VII Peaks will transfer any compensation received to the appropriate fund thereby reducing any incentive that the board member may have to favor the portfolio company to the detriment of other portfolio companies.

#### ***Solicitation Fees***

VII Peaks Capital has entered into an agreement with an investment adviser whereby VII Peaks Capital introduces and assists solicited clients in establishing a relationship with the investment adviser. In exchange for the introductions and assistance, VII Peaks Capital will receive a percentage of all investment advisory fees received by the investment adviser from any solicited client(s).

Further, VII Peaks Capital has entered into an agreement with an investment adviser to raise capital for the Co-Optivist Funds. The adviser will introduce VII Peaks to investors who would like to invest money in the Co-Optivist Funds. In return for the introductions, VII Peaks will pay the adviser an annual fee as well as a percentage of VII Peaks' annual management fee that it earns from the investor that the adviser has introduced to VII Peaks.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

The performance fee may be an incentive for VII Peaks Capital to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where VII Peaks Capital charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee. Currently, all of VII Peaks Capital's clients pay performance-based

compensation. Therefore, currently VII Peaks Capital does not face any conflicts of interest associated with differing fee arrangements among clients.

## **Item 7. Types of Clients**

VII Peaks Capital's current clients are the Funds and the separate accounts. The beneficial owners of the separate accounts are individuals.

### **Minimum Account Size and Minimum Investment Requirement**

As a condition for starting and maintaining a relationship, VII Peaks Capital generally imposes a minimum portfolio size of \$250,000 for separate accounts, as well as a minimum investment requirement in the Funds. VII Peaks Capital, in its sole discretion, may accept clients with smaller portfolios.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

VII Peaks Capital's primary methods of analysis are fundamental, technical and cyclical.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. VII Peaks Capital will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that VII Peaks Capital will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that VII Peaks Capital is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### **Investment Strategies**

VII Peaks Capital employs a proprietary investment strategy of "cooperative activism," referred to as the VII Peaks Co-Optivist™ approach. The VII Peaks Co-Optivist™ approach involves investing primarily in discounted corporate debt securities of public companies that have a perceived risk of near-term liquidity issues, but have solid fundamentals and business prospects, including historical revenue growth, positive cash flow, and sufficient asset coverage.

The VII Peaks Co-Optivist™ approach includes proactively engaging the target company's management to help restructure the underlying corporate debt or equity securities and de-lever the target company's balance sheet and improve overall liquidity.



VII Peaks Capital has also implemented a proprietary process for selecting and implementing investments:

#### *Opportunity Identification*

VII Peaks Capital identifies targets based on VII Peaks Capital's investment criteria. VII Peaks Capital then establishes or maintains dialogue with management and financial advisors of top priority targets and bondholders of top priority targets. VII Peaks Capital also develops a preliminary investment thesis and short-form overview for top priority targets.

#### *Investment Committee*

The Investment Committee is presented with a short-form overview of top priority targets, and approves those targets for which VII Peaks Capital will proceed. VII Peaks Capital then performs in-depth company and industry due diligence and valuation analyses, and presents a final memorandum to the Investment Committee for approval.

#### *Portfolio Management*

Once the Investment Committee has given final approval, VII Peaks Capital acquires the complete position before approaching management to commence debt restructuring. In addition, VII Peaks Capital communicates with other stakeholders, including bondholders, to garner feedback on proposed terms for debt exchange. After considering such feedback, VII Peaks Capital begins communications with the target's financial advisors.

#### *Exit Investment*

After the restructuring event is public, VII Peaks Capital evaluates the investment exit opportunities. Depending on the market reaction to the restructuring event, VII Peaks Capital evaluates other potential transactions for additional returns before exiting the investment.

#### **Risks**

The purchase of shares or interests in the Funds or investing in a separate account involves significant risks. The following are the risks related to VII Peaks Capital's investment activities. The risks associated with a particular Fund are detailed in the Fund's offering documents.

#### **Risks Related to VII Peaks Capital's Business**

##### **Competition for investment opportunities.**

The Funds and separate accounts compete for investments with other investment funds (including private equity funds and mezzanine funds), as well as traditional financial services companies such as commercial banks and other sources of funding. Moreover, alternative investment vehicles, such as hedge funds, also make investments in middle market private U.S. companies. As a result, competition for investment opportunities in private U.S. companies may intensify. Many competitors are substantially larger and have considerably greater financial, technical and marketing resources VII Peaks Capital. For example, some competitors may have a lower cost of capital and access to funding sources that are not available to the Funds and the separate accounts. In addition, some competitors may have higher risk tolerances or different risk assessments than VII Peaks

Capital. These characteristics could allow competitors to consider a wider variety of investments, establish more relationships and offer better pricing and more flexible structuring than the Funds and the separate accounts. VII Peaks Capital and the Funds and the Separate Accounts may lose investment opportunities if they do not match competitors' pricing, terms and structure. If the Funds and separate accounts are forced to match competitors' pricing, terms and structure, they may not be able to achieve acceptable returns on investments or may bear substantial risk of capital loss. A significant part of the Funds' and separate accounts' competitive advantage stems from the fact that the market for investments in private U.S. companies is under served by traditional commercial banks and other financial sources. A significant increase in the number and/or the size of competitors in this target market could force the Funds and separate accounts to accept less attractive investment terms. Furthermore, many of the competitors may have greater experience operating under, or are not subject to, the regulatory restrictions.

**Competition for assets to manage.**

The Funds and separate accounts face competition from a range of competitors, including mutual funds, private equity, hedge funds, and leveraged buyout funds, for assets to manage. Many of these entities may have greater financial resources or access to financing on more favorable terms. The Funds' and separate accounts' operating expenses are relatively fixed, and will have a higher expense ratio, which will decrease returns to shareholders, to extent VII Peaks Capital is unable to increase the amount of assets it manages.

Price declines in the medium- and large-sized corporate leveraged loan market may adversely affect the fair value of the Funds' or separate account portfolios, reducing asset values through increased net unrealized depreciation.

Prior to the onset of the financial crisis that began in 2007, securitized investment vehicles, hedge funds and other highly leveraged non-bank financial institutions comprised the majority of the market for purchasing and holding senior and subordinated debt. As the trading price of the loans underlying these portfolios began to deteriorate beginning in the first quarter of 2007, many institutions were forced to raise cash by selling interests in performing assets in order to satisfy margin requirements or the equivalent of margin requirements imposed by their lenders and/or, in the case of hedge funds and other investment vehicles, to satisfy widespread redemption requests. This resulted in a forced deleveraging cycle of price declines, compulsory sales, and further price declines, with falling underlying credit values, and other constraints resulting from the credit crisis generating further selling pressure.

Conditions in the medium and large-sized U.S. corporate debt market may experience similar disruption or deterioration in the future, which may cause pricing levels to similarly decline or be volatile. As a result, our net asset value could decline through an increase in unrealized depreciation and incurrence of realized losses in connection with the sale of our investments, which could have a material adverse impact on our business, financial condition and results of operations.

**Purchase of debt securities of financially stressed companies creates an enhanced risk of substantial loss or loss of entire investment.**

The Funds and the separate accounts may purchase debt or equity 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 VII Peaks Capital 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 the Funds and the separate accounts invests, they may lose their entire investment or may be required to accept cash or securities with a value less than the original investment. Under such circumstances, the returns generated from these investments may not compensate shareholders adequately for the risks assumed.

#### **Uncertainty as to the value of portfolio investments**

VII Peaks Capital expects that a substantial portion of its 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. As a result, VII Peaks Capital will value these securities quarterly at fair value as determined in good faith by a Board of Directors, and a committee thereof, or by VII Peaks Investment Committee, as applicable.

Certain factors that may be considered in determining the fair value 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, 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, fair value determinations may cause the Funds' net asset value on a given date to materially understate or overstate the value that it may ultimately realize upon the sale of one or more of the investments.

#### **Unrealized losses may be an indication of future realized losses, which could reduce income available for distribution.**

The Funds generally carry their investments at market value or, if no market value is ascertainable, at the fair value. Decreases in the market values or fair values of investments are recorded as unrealized depreciation. Any unrealized losses in a portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of income available for distribution in future periods. In addition, decreases in the market value or fair value of our investments will reduce the Funds' net asset value.

#### **Ability to achieve investment objective depends on ability to manage and support investment process. If VII Peaks were to lose a member of its senior management team, the ability to achieve the investment objective could be significantly harmed.**

The Funds and separate accounts depend on the investment expertise, diligence, skill and network of business contacts of VII Peaks Capital. They also depend, to a significant extent, on VII Peaks Capital's access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. VII

Peaks Capital will evaluate, negotiate, structure, close, monitor and service the Funds' and separate accounts' investments. The success of the Funds and the separate accounts depends to a significant extent on the continued service and coordination of VII Peaks Capital, including its key professionals. The departure of a significant number of VII Peaks Capital's key professionals could have a materially adverse effect on our ability to achieve our investment objective. In addition, there can be no assurance VII Peaks Capital will remain as the Funds' investment adviser and sub-adviser or that VII Peaks Capital will continue to have access to its investment professionals or information and deal flow.

### **Risks Related to VII Peaks**

#### **Limited prior experience.**

VII Peaks Capital was formed in 2009, has only managed a BDC since 2012, and has limited prior experience managing a business development company or a registered investment company. Similarly, members of the management team, including our CEO and our CFO, have no prior experience managing a business development company or registered investment company. Therefore, VII Peaks its management team may not be able to successfully operate its business or achieve the Funds' and separate accounts' investment objectives. As a result, an investment in the BDC may entail more risk than the shares of a comparable company with a substantial operating history.

#### **Members of the management team may engage in other competing activities.**

VII Peaks Capital's officers anticipate devoting a significant portion of time to the affairs of VII Peaks and performing services for other entities. As a result, there may be conflicts between the Funds and separate accounts, on the one hand, and VII Peaks Capital, including members of its management team, on the other, regarding the allocation of resources to the management of day-to-day activities. Further, the officers are involved in other ventures, some of which may compete for investment opportunities and may be incentivized to offer investment opportunities to the other ventures.

#### **The Funds may be obligated to pay incentive compensation even if they incur a loss due to a decline in the value of a portfolio.**

VII Peaks Capital may be entitled to receive an incentive fee based on our net investment income regardless of any capital losses. In such case, the Funds may be required to pay an incentive fee for a fiscal quarter even if there is a decline in the value of a portfolio or if the Fund incurs a net loss for that quarter. See Items 5 and 6 for more information regarding VII Peaks Capital's fees and compensation and performance-based fees.

#### **The incentive fee may induce VII Peaks Capital to make speculative investments.**

The incentive fee to VII Peaks Capital may create an incentive for it to make investments on the Funds' behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to VII Peaks Capital is determined may encourage it to use leverage to increase the return on our investments.

**Security breaches and other disruptions could compromise information and expose VII Peaks Capital, the Funds and separate accounts to liability, which would cause business and reputation damage.**

In the ordinary course of our business, the Funds and VII Peaks Capital store sensitive data, including proprietary business information and that of the portfolio companies, and personally identifiable information of directors, officers and other employees, in our and our Manager's data centers and networks. The secure processing, maintenance and transmission of this information is important to operations and business strategy. Despite security measures, the information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt operations, and damage reputations, and cause a loss of confidence in us VII Peaks Capital's products and services, which could adversely affect its business.

**Risks Related to Target Investments**

**Investments in prospective portfolio companies may be risky, and you could lose all or part of your investment.**

**Market Risks**

The profitability of a significant portion of VII Peaks Capital's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that VII Peaks Capital will be able to predict those price movements accurately.

**General Risk of Loss**

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss. We invest primarily in senior secured loans, second lien secured loans and subordinated debt of private U.S. companies. We may also invest in securities of foreign companies.

***Senior secured loans and second lien secured loans.*** There is a risk that any collateral pledged by portfolio companies in which we have taken a security interest may decrease in value over time or lose its entire value, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. To the extent our debt investment is collateralized by the securities of a portfolio company's subsidiaries, such securities may lose some or all of their value in the event of the bankruptcy or insolvency of the portfolio company. Also, in some circumstances, our security interest may be contractually or structurally subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Loans that are under-collateralized involve a greater risk of loss. Consequently, the fact that a loan is secured does not guarantee that we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

***Subordinated debt.*** Our subordinated debt investments will generally rank junior in priority of

payment to senior loans and will generally be unsecured. This may result in a heightened level of risk and volatility or a loss of principal, which could lead to the loss of the entire investment. These investments may involve additional risks that could adversely affect our investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject us and our stockholders to non-cash income. Since we will not receive any principal repayments prior to the maturity of some of our subordinated debt investments, such investments will be of greater risk than amortizing loans.

In addition, we invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. They may also be difficult to value and illiquid.

***Equity investments.*** We may make select equity investments. In addition, when we invest in senior secured and second lien secured loans or subordinated debt, we may acquire warrants to purchase equity securities. The equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

***Non-U.S. securities.*** We may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies, to the extent permitted by the Investment Company Act of 1940 (“1940 Act”). Because evidences of ownership of such securities usually are held outside the United States, we would be subject to additional risks if we invested in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Since non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected unfavorably by changes in currency rates and exchange control regulations.

***Privately held companies.*** We invest a portion of our assets in privately held companies which presents certain challenges, including the lack of available information about these companies. Investments in private companies pose certain incremental risks as compared to investments in public companies including that they:

- have reduced access to the capital markets, resulting in diminished capital resources and ability to withstand financial distress;
- may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- 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 our portfolio company and, in turn, on us; 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. In addition, our executive officers, directors and members of the Advisor's management may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

In addition, investments in private companies tend to be less liquid. The securities of private companies are often not publicly traded or actively traded on the secondary market and are, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors. These privately negotiated over-the-counter secondary markets may be inactive during an economic downturn or a credit crisis. In addition, the securities in these companies will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. If there is no readily available market for these investments and we are required to liquidate all or a portion them quickly, we may realize significantly less than the value at which purchased them. We may also face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we, our Manager or any of their respective affiliates have material nonpublic information regarding such portfolio company or where the sale would be an impermissible joint transaction. The reduced liquidity of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

Finally, little public information generally exists about private companies and these companies may not have third-party debt ratings or audited financial statements. We must therefore rely on the ability of our Manager to obtain adequate information through due diligence to evaluate the creditworthiness and potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments.

***Original Issue Discount Instruments.*** The Funds and separate account investments may include original issue discount instruments. To the extent original issue discount constitutes a portion of the Funds' or separate account's income, there will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash. Original issue discount instruments may have unreliable valuations because the accruals require judgments about collectability. Original issue discount instruments may create heightened credit risks because the inducement to trade higher rates for the deferral of cash payments typically represents, to some extent, speculation on the part of the borrower. For accounting purposes, cash distributions to stockholders representing original issue discount income do not come from paid-in capital, although they may be paid from the offering proceeds. Thus, although a distribution of original issue discount income comes from the cash invested by the stockholders, the 1940 Act does not require that stockholders be given notice of this fact. In the case of PIK, "toggle" debt, the PIK election has the simultaneous effects of increasing the assets under management, thus increasing the base management fee, and increasing the investment income, thus increasing the incentive fee. Original issue discount creates risk of non-refundable cash payments to the Advisor based on non-cash accruals that may never be realized.

**Options.** Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

**Risks associated with changes in interest rates.**

We are subject to financial market risks, including changes in interest rates. General interest rate fluctuations may have a substantial negative impact on the Funds’ and the separate accounts’ investments and investment opportunities and, therefore may have a material adverse effect on investment objectives and rate of return on invested capital.

**Investment in privately held companies presents certain challenges, including the lack of available information about these companies.**

The Funds and separate accounts invest a portion of their assets in privately held companies. Investments in private companies pose certain incremental risks as compared to investments in public companies. Investments in private companies tend to be less liquid than publicly held companies. They are not publicly-traded or actively traded on the secondary market and are, instead, traded on a privately negotiated over-the-counter secondary market for institutional investors. In addition, such securities may be subject to legal and other restrictions on resale.

Private companies also have reduced access to the capital markets, resulting in diminished capital resources and the ability to withstand financial distress. As a result, these companies, which may present greater credit risk than public companies, may be unable to meet their obligations under their debt securities. Second, the investments themselves often may be less liquid.

**Use of Leverage**

The BDC uses leverage and incurs indebtedness in order to lend money to portfolio companies and has established a revolving line of credit with a bank based on the value of the securities in the bank account. The BDC’s securities in the account serve as collateral for the credit line.

The BDC is limited by the 1940 Act on the amount of indebtedness it may incur. Therefore, a decline in the value of the BDC’s assets may prevent it from incurring additional indebtedness to make investments or cause the BDC to sell assets an inopportune time to lower its outstanding indebtedness.

Money borrowed by the BDC is subject to interest costs, which will be a direct expense of the BDC, and, to the extent not covered by income attributable to the investments acquired, will adversely affect the operating results of the BDC.

The use of leverage is generally considered a speculative investment technique and increases the risks associated with investing in the BDC. Under the terms of any credit facility or other debt



instrument the BDC enters into, the BDC is likely to be required to use the net proceeds of certain or any investments that it sells to repay amounts borrowed under such facility or instrument before applying such net proceeds to any other uses.

If the value of the BDC's assets decrease, leveraging would cause net asset value to decline more sharply than it otherwise would have had the BDC not leveraged, thereby magnifying losses for the BDC or eliminating the BDC's stake in a leveraged investment or Portfolio Company. Similarly, a decrease in the BDC's income will cause its net income to decline more sharply than it would have had the BDC not borrowed, with the result that the BDC's assets and net income may also decline more sharply than they would absent the use of leverage. The BDC's ability to service its debt will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures.

The credit facilities are and will be subject to numerous conditions. Breach of such conditions could result in a default under the credit agreement, which in turn could result in the BDC to stop borrowing under the credit facility and repay the interest and principal owed to the lender before making any distributions to investors. In certain cases, a default could result in the ability of the lender to seize the BDC's assets that are used as collateral for the credit facility and dispose of the assets in the manner deemed appropriate by the lender.

In addition, certain of the credit facilities may contain "key man" clauses that could result in a default under such credit facility in the event that any of VII Peaks' principals is no longer with the BDC unless such departure is approved by the lender(s). The use of leverage may also result in the recognition of "unrelated business taxable income" for certain tax-exempt investors in the BDC.

## **Item 9. Disciplinary Information**

VII Peaks Capital is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

On December 22, 2014, BizzBlizz, Inc. a portfolio company of VII Peaks Venture Capital II, LLC "(VII Peaks Venture Capital II)", a fund managed by VII Peaks Capital, filed a complaint against VII Peaks Capital, Gurpreet Chandhoke, and others not associated with VII Peaks in the Third Judicial District Court in Salt Lake County, Utah. The complaint alleges conspiracy, breach of fiduciary duty, seeks an injunction in order to obtain immediate and exclusive possession of all trade secrets allegedly in Mr.Chandhoke's and VII Peaks' control, and conversion of intellectual property, unfair competition and replevin. BizzBlizz filed an amended complaint on January 2, 2015 adding Stephen Shea as a defendant. Messrs. Chandhoke and Shea filed an answer to the complaint denying the allegations on February 2, 2015.

In response to the lawsuit by BizzBlizz, on March 2, 2015, VII Peaks Venture Capital II filed a complaint against BizzBlizz, Donald Basile, and Carlos Art Nevarez, alleging fraud, joint and several liability of management principals or materially aiding personnel, joint and several liability of materially assisting persons, and breach of fiduciary duty in the Superior Court, County of San Francisco. On June 19, 2015, the court denied the defendants' motion to dismiss or stay the lawsuit. On November 3, 2015, the court granted the defendants' objection to first cause of action for fraud and gave VII Peaks Venture Capital II ten days to allege the facts that meet the specificity requirement for pleading fraud. Further the court ruled that the cause of action for joint and several

liability of management principals or materially aiding personnel is also sustained and gave VII Peaks Venture Capital II ten days to amend their complaint. An amended complaint was filed on November 12, 2015

On October 28, 2015, Relativity Holdings LLC (“Relativity”) and VII Peaks Capital entered into a stipulation and agreed order to adjourn a preliminary injunction hearing relating to an adversary proceeding Relativity commenced against VII Peaks in the U.S. Bankruptcy Court for the Southern District of New York. Relativity filed a Complaint for Emergency Order Requiring VII Peaks Capital to pay \$30 million into the Court’s Registry and/or Issuing a Restraining Order and Directing Specific Performance.

The Court vacated and dissolved the Temporary Restraining Order and VII Peaks Capital agreed to deposit \$3 million into the client trust account of VII Peaks Capital’s counsel, by no later than 6:00 P.M. E.S.T. on October 30, 2015. The funds deposited were to remain in the account until one business day after VII Peaks Capital notified Relativity, after the commencement of face-to-face negotiations between Relativity representatives and VII Peaks Capital representatives (in which Relativity agrees to participate by November 4, 2015), that settlement negotiations have concluded without a settlement, at which point such \$3 million deposit shall be disbursed. A hearing with respect to the matter is set for December 16, 2015 in the event the parties cannot reach an agreement.

#### **Item 10. Other Financial Industry Activities and Affiliations**

VII Peaks Capital is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. VII Peaks Capital has described such relationships and arrangements below.

***Registered Representatives of Broker Dealer.*** Certain of VII Peaks Capital’s Supervised Persons are registered representatives of Penserra Securities LLC (“Penserra”), a registered broker-dealer and member of FINRA. Penserra may charge brokerage commissions to effect securities transactions unrelated to the Funds, and thereafter, a portion of these commissions may be paid by Penserra to such Supervised Persons.

A potential conflict of interest could exist to the extent a VII Peaks Capital advisory client or investor in a Fund is also a brokerage client of one of these Supervised Persons. VII Peaks Capital has procedures in place to ensure that no advisory client or investor of a Fund is also a brokerage client of one of these Supervised Persons. VII Peaks Capital does not have a selling agreement with Penserra or any of its supervised persons. Therefore, none of Penserra’s registered representatives are able to sell any of the Funds.

VII Peaks Capital’s Supervised Persons who are registered representatives of Penserra currently devote less than five percent (<5%) of their time to commission securities brokerage business.

#### **Item 11. Code of Ethics**

VII Peaks has adopted a written code of ethics that governs the actions of its employees to help ensure that violations of the Federal Securities Laws regarding personal securities transactions do not occur and that the Firm meets its fiduciary duty to clients by dealing with them justly and equitably. This document also governs the personal securities transactions of its personnel.

VII Peaks' Code of Ethics is based on the principle that an advisor owes its clients a duty of undivided loyalty. As an investment adviser, VII Peaks Capital has a fiduciary responsibility to its clients. Clients' interests must always be placed first. Thus, the personnel of VII Peaks must conduct their personal securities transactions in a manner that does not interfere, or appear to interfere, with any transaction for a client or otherwise takes unfair advantage of a client relationship. Personnel must not take inappropriate advantage of their positions. No personnel shall accept any gift or other thing of more than de minimis value from any person or entity that does business with or on behalf of VII Peaks Capital.

All personnel of VII Peaks Capital must adhere to these fundamental principles as well as comply with the specific provisions of the Code of Ethics. In particular, it shall be unlawful for any affiliated person of the Advisor, in connection with the purchase or sale, directly or indirectly, by such person of any security held or to be acquired by any client of the Advisor to:

- Employ any device, scheme or artifice to defraud the client;
- Make to the client any untrue statement of a material fact or omit to state to any client a material fact necessary in order to make the statement made, in light of the surrounding circumstances, not misleading;
- Engage in any act, practice or course of business that operates or would operate as a fraud or deceit on any client; or
- Engage in any manipulative practice with respect to any client.

VII Peaks prohibits employees from trading on material non-public information, either personally or on behalf of other individuals (including clients), and from communicating material non-public information to other individuals in violation of law.

VII Peaks Capital maintains a current restricted list of issuers of securities that it analyzing and/ or recommending and/or invests in. No Access Person shall purchase or sell, directly or indirectly, any security in which he or she has, or by reason of such transaction shall acquire, any direct or indirect Beneficial Ownership in any security that is on such list.

In accordance with Section 204A of the Advisers Act, VII Peaks Capital also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by VII Peaks Capital or any of its Supervised Persons. In addition, because the nature of the investments that VII Peaks Capital makes could result in material non-public information being attained by separate account clients that have access to their specific holdings, VII Peaks Capital requires such clients to certify that they will not trade in the underlying securities.

Clients and prospective clients may contact VII Peaks Capital to request a copy of its Code of Ethics.

### **Conflicts of Interest**

The conflicts of interest that may be encountered by VII Peaks Capital include those discussed below, although these discussions not describe all of the conflicts that may be faced by VII Peaks, the Funds and the separate accounts. Dealing with conflicts of interest is complex and difficult, and new and different types of conflicts are likely to subsequently arise.

Conflicts of interest between the Funds and the separate accounts and the various roles, activities and duties of VII Peaks Capital and its affiliates may occur from time to time. VII Peaks, its officers and other affiliates may act as a manager or general partner of other private or public entities, some of whom may have the same or a similar investment objective as the Funds or the separate accounts. As a result, conflicts of interest between the Funds and the separate accounts and the other activities of VII Peaks Capital and its affiliates may occur from time to time. None of the agreements or arrangements, including those relating to compensation, between the Funds, the separate accounts, VII Peaks Capital, or its affiliates, is the result of arm's-length negotiations. As a result, there may be conflicts between Funds and the separate accounts, on the one hand, and VII Peaks Capital, including members of its management team, on the other, regarding the allocation of resources to the management of our day-to-day activities.

Further, the officers of VII Peaks Capital are involved in other ventures, some of which may compete with the Funds and separate accounts for investment opportunities, including certain affiliated funds or separate accounts, and may be incentivized to offer investment opportunities to such other ventures rather than to us which would make it more difficult to achieve our investment objectives.

To the extent that the Funds and separate accounts compete with entities managed by VII Peaks Capital for a particular investment opportunity, VII Peaks Capital will allocate investment opportunities across the entities for which such opportunities are appropriate, consistent with (1) its internal conflict-resolution and allocation policies, (2) the requirements of the Advisers Act, and (3) certain restrictions under the 1940 Act regarding co-investments with affiliates.

VII Peaks Capital's allocation policies are intended to ensure that opportunities are generally shared equitably with other investment funds and separate accounts managed by VII Peaks or their affiliates, particularly those involving a security with limited supply or differing classes of securities of the same issuer that may be suitable for several clients.

The BDC will be subject to certain regulatory restrictions in making investments. For example, it generally will not be permitted to co-invest with certain entities affiliated with VII Peaks Capital in transactions originated by VII Peaks Capital or its affiliates unless we obtain an exemptive order from the SEC or co-invest alongside VII Peaks Capital or its affiliates in accordance with existing regulatory guidance and our allocation policy. Under existing regulatory guidance, the BDC will be permitted to, and may co-invest in syndicated deals and secondary loan market transactions where price is the only negotiated point.

The compensation the Fund paid to VII Peaks was not entered into on an arm's-length basis with unaffiliated third parties. As a result, the form and amount of such compensation may be less favorable to the Funds than they might have been had they been entered into through arm's-length transactions with unaffiliated parties.

As noted above, certain of VII Peaks Capital's Supervised Persons are registered representatives of Penserra Securities LLC ("Penserra"), a registered broker-dealer and member of FINRA. Penserra may charge brokerage commissions to effect securities transactions unrelated to the Funds, and thereafter, a portion of these commissions may be paid by Penserra to such Supervised Persons.

A conflict of interest could exist to the extent a VII Peaks Capital advisory client or investor in a Fund is also a brokerage client of one of these Supervised Persons. VII Peaks Capital has procedures

in place to ensure that no advisory client or investor of a Fund is also a brokerage client of one of these Supervised Persons VII Peaks Capital does not have a selling agreement with Penserra or any of its supervised persons. Therefore, none of Penserra's registered representatives are able to sell any of the Funds.

In order to further its co-optimist investing approach, VII Peaks Capital currently receives compensation for serving on the board of one of the BDC's portfolio companies. Any compensation received in connection with this board membership has been transferred to the BDC and is identified on the BDC's financial statements as "Other Income." If VII Peaks Capital enters into any such arrangement in the future where it serves on the board of a BDC portfolio company, VII Peaks will transfer any compensation received to the BDC fund thereby reducing any incentive that the board member may have to favor the portfolio company to the detriment of other portfolio companies.

As noted above, VII Peaks charges an incentive fee. This incentive fee to VII Peaks Capital may create an incentive for it to make investments on the Funds' behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to VII Peaks Capital is determined may encourage it to use leverage to increase the return on our investments.

## **Item 12. Brokerage Practices**

For separate account clients, VII Peaks Capital generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services, Charles Schwab & Co., Inc. and/or Pershing, LLC.

Separate account clients may direct VII Peaks Capital in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and VII Peaks Capital will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by VII Peaks Capital (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, VII Peaks Capital may decline a client's request to direct brokerage if, in VII Peaks Capital's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

VII Peaks Capital has full discretion in selecting broker-dealers for Fund transactions. Factors which VII Peaks Capital considers in selecting broker-dealers for separate account clients' trades include their respective financial strength, reputation, execution, pricing, research and service.

The commissions paid by VII Peaks Capital's clients comply with VII Peaks Capital's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified broker-dealer might charge to effect the same transaction where VII Peaks Capital determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealers' services, including among others, the value of research provided,

execution capability, commission rates, and responsiveness. VII Peaks Capital seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions for each client generally will be effected independently, unless VII Peaks Capital decides to purchase or sell the same securities for several clients at approximately the same time. VII Peaks Capital will usually combine or aggregate such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among VII Peaks Capital's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among VII Peaks Capital's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that VII Peaks Capital determines to aggregate client orders for the purchase or sale of securities, including securities in which VII Peaks Capital's Supervised Persons may invest, VII Peaks Capital generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. VII Peaks Capital does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that VII Peaks Capital determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, VII Peaks Capital may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist VII Peaks Capital in its investment decision-making process. Such research generally will be used to service all of VII Peaks Capital'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. 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 poses a conflict of interest because VII Peaks Capital does not have to produce or pay for the products or services.

### **Software and Support Provided by Broker-Dealers**

VII Peaks Capital may receive from certain broker-dealers, without cost to VII Peaks Capital, computer software and related systems support, which allow VII Peaks Capital to better monitor

client accounts maintained at such broker-dealers. VII Peaks Capital may receive the software and related support without cost because VII Peaks Capital renders investment management services to clients that maintain assets at these broker-dealers. The software and related systems support may benefit VII Peaks Capital, but not its clients directly. In fulfilling its duties to its clients, VII Peaks Capital endeavors at all times to put the interests of its clients first. Clients should be aware, however, that VII Peaks Capital's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence VII Peaks Capital's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

### **Item 13. Review of Accounts**

For those clients to whom VII Peaks Capital provides investment management services, VII Peaks Capital monitors those portfolios as part of an ongoing process. VII Peaks Capital's portfolio managers review client accounts on an as needed basis depending on market conditions. These reviews are designed to monitor and analyze client transactions, positions, and investment levels. The reviews are conducted by Gurpreet S. Chandhoke.

Separate account clients are provided with regular summary account statements directly from the broker-dealer or custodian for the client accounts. Clients may also receive monthly and/or quarter unaudited financial statements and investor reports. Annually, investors in the Funds will receive audited financial statements. In addition, a Portfolio Management's discussion letter regarding the results of operations, management, market environment, investment performance and other matters will also be included. Additional reports may be available upon request of the clients. Clients should compare the account statements they receive from their broker-dealer or custodian with those they receive from VII Peaks Capital.

### **Item 14. Client Referrals and Other Compensation**

VII Peaks Capital is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, VII Peaks Capital is required to disclose any direct or indirect compensation that it provides for client referrals.

Axiom Capital Management Inc. ("Axiom") acts as the dealer manager for the offering of the BDC shares. Axiom is a licensed broker-dealer registered with FINRA. Axiom is not required to sell a specific number or dollar amount of the BDC shares but will use its best efforts to sell the shares offered. Axiom receives compensation and reimbursement for services relating to the BDC offering including 7% of gross offering proceeds from the offering (all selling commissions are expected to be re-allowed to selected dealers) and up to 3% of gross proceeds, all or a portion of that may be re-allowed to selected dealers.

VII Peaks Capital does not have any client referral or other compensation arrangements other than as described under Items 5, 10, and Item 12.

### **Item 15. Custody**

VII Peaks Capital maintains custody of its clients' assets with qualified custodians, currently US Bank, Wells Fargo, Fidelity Investments, Millennium Trust Company, Charles Schwab

& Co., and Morgan Stanley. VII Peaks Capital's agreement with its separate account clients authorizes VII Peaks Capital to instruct the custodians to debit the client's account for the amount of VII Peaks Capital's fee and to directly remit that management fee to VII Peaks Capital.

VII Peaks Capital, as the Venture Funds' manager and investment manager with full power of attorney is deemed to have "custody" of the Funds' assets. VII Peaks Capital employs a reputable, PCAOB<sup>1</sup>- registered independent accountant performs an annual audit of the Funds' financial statements in accordance with generally accepted accounting principles, which are then sent to each investor in the Funds within 120 days from the end of the applicable fiscal year.

Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from VII Peaks Capital. When clients have questions about their account statements, they should contact VII Peaks Capital or the qualified custodian preparing the statement.

#### **Item 16. Investment Discretion**

VII Peaks Capital is given the authority to exercise discretion on behalf of clients. VII Peaks Capital is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. VII Peaks Capital is given this authority through a power-of-attorney included in the agreement between VII Peaks Capital and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). VII Peaks Capital takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The broker-dealer to be used; and
- The commission rates to be paid to such broker-dealers.

#### **Item 17. Voting Client Securities**

VII Peaks Capital as a matter of policy does not accept responsibility for voting proxies for portfolio securities held within client accounts. In the event VII Peaks Capital accepts responsibility for voting a client's proxies, it maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting. For more information contact Gurpreet Chandhoke at (415) 983-0127.

#### **Item 18. Financial Information**

VII Peaks Capital does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. However, it does have custody of client securities. Therefore, VII Peaks Capital is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. The adviser is currently not operating at a profit. The



adviser's ability to procure additional capital is not assured. This may present a risk that the adviser may not be able to satisfy its contractual obligations to clients.

## **Item 19. Principal Executive Officers and Management Persons**

Below is the formal education and business background of each of VII Peaks Capital's principal executive officers and management persons:

### **GURPREET S. CHANDHOKE**

Gurpreet Chandhoke is a Managing Partner and the Chief Investment Officer of VII Peaks Capital and a Director and Chairman of the Board of the BDC. Prior to joining VII Peaks Capital, Mr. Chandhoke was a Senior Vice President at Deutsche Bank's Technology Investment Banking Group. Prior to Deutsche Bank, Mr. Chandhoke worked at UBS Investment Bank's Technology Investment Banking Group. Before VII Peaks, Mr. Chandhoke had nearly six years of investment banking experience during which he led several different types of debt issuance and restructuring discussions and transactions with technology companies and financial sponsors. Prior to starting VII Peaks Capital, Mr. Chandhoke also participated in a wide range of corporate finance and M&A transactions in the Internet, Enterprise Software, Enterprise Infrastructure and Communications Technology sectors. Mr. Chandhoke has been involved in issuing nearly \$20 billion of corporate debt and has worked on over \$40 billion of corporate finance and M&A transactions.

Mr. Chandhoke holds a MSEE and MSME from the University of Minnesota, a BE in Electrical Engineering from the Government College of Engg, University of Pune, India. He also holds an MBA from The Wharton School at the University of Pennsylvania. Mr. Chandhoke was chosen as a J.N. Tata Scholar to pursue his graduate studies in the United States.

### **STEPHEN F. SHEA**

Mr. Shea is a Managing Partner of VII Peaks Capital and serves on the BDC's Board of Directors. Prior to joining VII Peaks Capital, Mr. Shea worked as a consultant through his own firm, Shea Financial, LLC, with investment banking and venture/private equity teams, and assisted registered investment advisers integrate and build out offerings into distribution channels as a result of his long standing relationships with Schwab, Fidelity, TD and other wire houses. He also advised hedge funds on new seeding opportunities in the commodities/futures space.

Prior to his consulting work, Mr. Shea was Vice President of Institutional Sales RIA Team for Fidelity Investments 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, while at Fidelity, he was responsible for the signing, business development and retention of SEC registered RIA relationships in San Francisco and the Pacific Northwest. Prior to working for Fidelity Investments, Mr. Shea worked for Wentworth, Hauser and Violich Investment Counsel. At Wentworth, he was a member of the stock selection and investment policy committees. He co-developed an open architecture WRAP, Sub-Advised, RIA platform. In Mr. Shea's four years with Wentworth, he executed 16 sub-advised agreements raising an aggregate of \$4 billion. Prior to working at Wentworth, Mr. Shea worked with Deutsche Bank/Alex Brown. At Deutsche Bank/Alex Brown, Mr. Shea acted as a lead financial advisor for many top technology executives.

Mr. Shea graduated with a BS in Business/Finance from St. Mary's College in California.

## **RUDOLPH A. GALERA**

Mr. Galera serves as the Chief Operating Officer of VII Peaks Capital. He is a highly accomplished visionary executive with extensive background in creating and developing successful investment platforms for ultra-high-net-worth family offices and RIAs. Prior to joining VII Peaks Capital, Mr. Galera was the Chief Administrative Officer of CTC Consulting/Harris myCFO for nearly 10 years where they managed over \$40 billion in AUM. He was also part of wealth management teams at C.E. Unterberg Towbin and Montgomery Securities in the mid 1990s and early 2000s. Mr. Galera is a results-oriented, decisive leader, with proven success in RIA platform management and strategic initiatives utilizing open architecture custodial platforms and SMA investment management. This expertise is complemented with nearly 19 years of financial service industry experience specializing in restricted stock sales, discretionary portfolio management, venture capital distribution management and hedging strategies for affluent families, executives and closely held businesses. His specialties include the construction and management of investment management consulting platforms, open architectural design and workflow efficiency analysis, and general C- level executive management with heavy influence on current RIA/SEC regulations and fund administration.

Mr. Galera has developed policies and procedures, and has been involved in all aspects of compliance programs.

Mr. Galera has Bachelor of Arts degree from the University of the Pacific and has held the Series 7, 63 and currently holds the Series 65 license. He is a former member of the Pershing LLC's Advisory Board as well as the State Street's Client Advisory Board where he provided input and insight on how both organizations can better serve their ultra-high-net worth clientele, family offices and institutional relationships.

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<sup>1</sup> PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.