

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Westech Investment Advisors, LLC. If you have any questions about the contents of this Brochure, please contact Martin Eng, Chief Financial Officer, at (650) 234-4300 or [Martine@westerntech.com](mailto:Martine@westerntech.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Westech Investment Advisors LLC is a registered investment adviser and also does business as Western Technology Investment (“WTI”), which was founded in 1980. Registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Westech Investment Advisors, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item summarizes material changes to Westech Investment Advisors, LLC’s (“WTI”) Form ADV, Part 2A Brochure since last filing on January 31, 2013. Additionally since the annual amendment dated March 31, 2014 several other changes have been made. Please see the specific sections referenced herein for additional information regarding these revisions.

### Item 4: Advisory Business

Rudy Ruano was promoted to be a member of the Senior Credit Committee.

### Item 5: Fees and Compensation

A discussion of fees and compensation relating to Venture Lending and Leasing, III LLC has been included in the referenced section herein showing that management fees are being waived for this entity.

### Item 10 – Other Financial Industry Activities and Affiliations

The discussion of potential conflicts of interest relating to certain relationships between the Firm’s principals and employees and unaffiliated funds and companies has been revised.

### Item 11 – Code of Ethics

The discussion of how the Code of Ethics addresses the potential conflicts of interest noted in Item 10 above has been revised.

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#### **Item 4 – Advisory Business**

Westech Investment Advisors, LLC (also referred to in this Brochure as “WTI” or the “Firm”) serves as investment manager, on a fully discretionary basis, for eight companies, three of which are corporations which have elected to be treated as business development companies (“BDCs”) under the Investment Company Act of 1940, the remaining five of which are not BDCs. The three BDC companies are: Venture Lending & Leasing V, Inc. (“Fund V”); Venture Lending & Leasing VI, Inc. (“Fund VI”), and Venture Lending & Leasing VII, Inc. (“Fund VII”). The non-BDC companies are: Venture Lending & Leasing III, LLC (“VLL3, LLC”); Venture Lending & Leasing IV, LLC (“VLL4 LLC”), Venture Lending & Leasing V, LLC (“VLL5 LLC”), which owns 100% of the stock of Fund V; Venture Lending & Leasing VI, LLC (“VLL6 LLC”), which owns 100% of the stock of Fund VI, and Venture Lending & Leasing VII, LLC (“VLL7 LLC”), which owns 100% of the stock of Fund VII. These eight companies, for which WTI serves as investment manager, are referred to in this Brochure collectively as the “Funds.” The Firm also serves as managing member of VLL4 LLC, VLL5, LLC, VLL6, LLC, VLL7, LLC and VLLI Capital, LLC (the managing member of VLL3, LLC).

The principal owner of the Firm is Westech Investment Management, Inc., a California corporation. The sole shareholders of Westech Investment Management, Inc. are Ronald W. Swenson and Salvador O. Gutierrez.

The Firm manages \$994,238,807 in client assets on a discretionary basis and no assets on a non-discretionary basis (both calculated as of December 31, 2013).

#### **Item 5 – Fees and Compensation**

Management fees for each fund are calculated on a quarterly basis. The fees are paid shortly after the end of each quarter. Any underpayments or overpayments are adjusted and paid with the following quarter’s payment. Overpayments of carry will result in tax effected re-contributions “clawbacks” from the Firm to the Funds at the end of the applicable Funds’ life. To the extent that tax was paid on the overpayments of carry, the Funds would not be able to recover those funds that had been paid as taxes.

Effective January 1, 2013, the Firm and other adviser have waived all fees for VLL3, LLC.

Currently VLL4 LLC pays the Firm a fee of 2.5% of total assets under management. Additionally, once the hurdle rate of 8% has been reached, the Firm is entitled to receive all of the profits until cumulative profits are allocated 80% to members in accordance with

their ownership percentages and 20% to the Firm. Beyond such allocation, VLL4 LLC pays to the Firm, as incentive compensation, 20% of profits in excess of a preferred return of 8% on unreturned capital. While these incentive amounts are not an expense of Fund IV, they could be deemed compensation received by the Firm.

Fund V and VLL5 LLC pay the Firm a combined fee of the greater of 2.5% of total assets under management and 1.5% of committed capital to VLL5 LLC as long as consolidated assets are in excess of \$25 million. If assets are less than \$25 million, the combined management fee will be 2.5% of consolidated assets. Because VLL5 LLC is the sole shareholder of Fund V, the management fee that VLL5 LLC pays to the Firm is based on total assets less the investment in Fund V, in order to not double count assets. Additionally, once the hurdle rate of 8% has been reached, the Firm is entitled to receive all of the profits until cumulative profits are allocated 80% to members in accordance with their ownership percentages and 20% to the Firm. Beyond such incentive amounts, VLL5 LLC pays to the Firm, as incentive compensation, 20% of profits in excess of a preferred return of 8% on unreturned capital. While these incentive amounts are not an expense of Fund V, they could be deemed compensation received by the Firm.

Fund VI and VLL6 LLC pay the Firm a combined fee of the greater of 2.5% of total assets under management and 1.5% of committed capital to VLL6 LLC as long as consolidated assets are in excess of \$25 million. If assets are less than \$25 million, the combined management fee will be 2.5% of consolidated assets. Because VLL6 LLC is the sole shareholder of Fund VI, the management fee that VLL6 LLC pays to the Firm is based on total assets less the investment in Fund VI, in order to not double count assets. Additionally, once the hurdle rate of 8% has been reached, the Firm is entitled to receive all of the profits until cumulative profits are allocated 80% to members in accordance with their ownership percentages and 20% to the Firm. Beyond such allocation, VLL6 LLC pays to the Firm, as incentive compensation, 20% of profits in excess of a preferred return of 8% on unreturned capital. While these incentive amounts are not an expense of Fund VI, they could be deemed compensation received by the Firm.

Fund VII pays the Firm a management fee of 2.5% of the committed capital to VLL7 LLC. No fee is charged to VLL7 LLC for the first two (2) years of Fund VII's operations, which began on December 18, 2012. After the second anniversary of this date is reached, Fund VII and VLL7 LLC will pay a combined fee the greater of 2.5% of total assets under management and 1.5% of committed capital to VLL7 LLC, as long as consolidated assets are in excess of \$25 million. If assets are less than \$25 million, the combined management fee will be 2.5% of consolidated assets. Because VLL7 LLC is the sole shareholder of Fund VII, the management fee that VLL7 LLC pays to the Firm is based on total assets less the investment in Fund VII, in order to not double count assets. Additionally, once the hurdle

rate of 8% has been reached, the Firm is entitled to receive all of the profits until cumulative profits are allocated 80% to members in accordance with their ownership percentages and 20% to the Firm. Beyond such incentive compensation, VLL7 LLC pays to the Firm, as incentive compensation, 20% of profits in excess of a preferred return of 8% on unreturned capital. While these incentive amounts are not an expense of the Fund, they could be deemed compensation received by the Firm.

The specific manner in which fees are charged by WTI is established in a client's investment management agreement with the Firm. WTI will generally calculate its fees on a quarterly basis, in arrears. Management fees are deducted directly from a client's account. Each quarter, the previous quarter's calculation of management fees is reviewed in case there has been a change (*i.e., the asset value upon which the management fee calculation was made has changed, etc.*) and, if necessary, a "true-up" adjustment is made to the current quarter calculation. Management fees are based on information as of the last day of the quarter and are not prorated for capital contributions and withdrawals made during the applicable calendar quarter. Other than potential over-payments, which are discussed above, there are no prepaid or unearned fees, as management fees are paid in arrears. Management fees, which are calculated as a percentage of committed capital, are charged as if the capital had been committed as of the first closing of capital.

The Firm's fees do not include brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions ("Other Charges"). Such charges, fees and commissions are exclusive of, and in addition to, WTI's fee, and the Firm does not receive any portion of these Other Charges.

Item 12 further describes the factors that the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g., commissions*).

Fees for advisory services are not negotiable. It is possible that advisory fees charged by other advisors could be lower than those charged by the Firm.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Firm does not charge any performance-based fees; however as stated above in Item 5, the Firm receives allocations of income after certain hurdle rates have been met. While these are not classified as “Fees”, they can be construed as additional compensation. For Funds that are charged management fees based on assets under management, the compensation structure may provide the Firm with an incentive to increase assets as compensation increases with size of the asset base. Moreover, these fee and allocation arrangements may create incentives for the Firm to recommend investments which may have a higher degree of risk or are more speculative than those that would be recommended under a different fee arrangement, and they may create an incentive to favor higher fee paying accounts, over other accounts, in the allocation of investment opportunities. In the past, the Boards of Directors of Funds making active investments have each adopted a policy that, for so long as they are each making active investments, they will generally invest in the same portfolio companies, with the amount of the investment allocated among them *pro rata* in accordance with their capital commitments. This policy, which is codified in the Firm’s compliance manual and applies to the Firm’s investment activities, helps ensure that the Firm’s clients are treated fairly and equally, and to prevent the potential conflict described above from influencing the allocation of investment opportunities among clients. Allocations and allotments can be changed by the Board of Directors or Advisory Board of each Fund and can apply to a single investment or the entire allocation methodology.

## **Item 7 – Types of Clients**

WTI provides portfolio management services to private investment Funds and BDCs.

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

The Firm’s investment strategy for each of the Funds is to provide debt financing, primarily in the form of secured loans, to carefully selected companies backed by venture capital (“VC”) investors, micro VC funds, and angel investors. The Funds may invest in special situations, including convertible debt instruments. The Funds may invest in convertible debt instruments issued by companies of diverse capitalization and creditworthiness, including, without limitation, early-stage private companies, public and late-stage private

companies, and companies undergoing restructuring or recapitalization of their existing debt or equity financing. The Firm also evaluates and recommends, where appropriate opportunities arise, other types of investments in privately held companies - including but not limited to common stock, preferred stock, convertible notes, and other equity interests. In some instances, these companies will have been bootstrapped, without substantial equity investment from investors. This investment strategy involves a high degree of risk, including: illiquidity of portfolio investments; risk of default by borrowers, many of whom have no or little operating profit or cash flow as of the commencement of a financing transaction; interest rate risk; litigation risk; risk of leveraging a Fund's portfolio; the speculative nature of investments in warrants for stock or directly in stock; and the risks involved in investing in privately-held and emerging companies. **Investing in securities involves risk of loss that clients should be prepared to bear.**

The Firm evaluates potential investments on a case-by-case basis, using both a credit and "venture capital" approach. The initial phase includes the collection of relevant materials such as business plans, financials and pro-forma projections, capitalization tables, management biographies, and corporate documents. Additionally, the WTI investment committee meets with the CEO and management team of the prospective companies. Reference checks may be performed by contacting venture capitalists, customers, and competitors. A credit file is created to serve as the basis to monitor progress of the company against its expected milestones.

The Firm typically uses a buy-and-hold strategy where investments are held until maturity. All securities are evaluated on a regular basis. Some of the debt investments are restructured instead of being held to maturity. The Firm typically does not purchase publicly held securities; however, some publicly held securities are acquired through warrant exercises, mergers, acquisitions, and IPOs of the companies in which investments are made. Additionally, in some cases, public securities are issued in conjunction with loans made to public companies. Publicly-held securities are monitored on an on-going basis, and a variety of factors regarding the company (*e.g., trend in stock price, underlying business fundamentals and potential for growth, information regarding the lock-up, etc.*) are used to determine when to sell these securities.

## **Reliance on Management**

The Funds could require substantial time to become fully invested. Pending investment, all cash that the Funds have received pursuant to capital calls from the Company will be



committed to short-term, high-grade investments that present relatively low investment risk but provide a correspondingly lower return. The Company does not intend to call upon Members to contribute more capital than is expected to be needed to fund loans, pay expenses or meet investment commitments that are outstanding or expected to be entered into within a reasonable time after such capital call. The Funds are wholly dependent for the selection, structuring, closing and monitoring of their investments on the diligence and skill of the Firm, acting under the supervision of the Funds' Boards of Directors.

Although the principals of the Firm have several decades of combined experience in investing in venture lending transactions and equity investments, there can be no assurance that the Funds will attain their investment objectives. Furthermore, the Firm does not have substantial experience investing in special situations such as convertible and subordinated debt of public and late-stage private companies. The officers of the Firm will have primary responsibility for the selection of the companies in which the Fund and the Company will invest, the negotiation of the terms of such investments and the monitoring of such investments after they are made. Although the officers of the Firm intend to devote such time as is necessary to the affairs of the Funds, they are not required to devote full time to the management of the Funds. Furthermore, there can be no assurance that any officer will remain associated with the Firm or that, if an officer ceased to be associated with the Firm, the Firm would be able to find a qualified person or persons to fill their positions.

### **Unregistered Securities – and limited transfer rights**

The Membership Interests will not be registered under the Securities Laws and are subject to substantial restrictions on transfer. There will be no trading market for the interests, and members most likely will have to hold their interests until the final liquidation of the Funds. Similarly, although shares of some of the Funds have been registered under the 1934 Act, there will be no trading market for shares in the Funds and thus shares of the Funds should be considered illiquid. Additionally, the Fund's period of existence will automatically expire, but the liquidation process might not be completed for a significant period after the Funds' dissolutions. For example, of all of the prior funds, only Fund I and Fund II have completed the liquidation process. Fund I was established in 1994 and did not liquidate until 2010 and Fund II was established in 1997 and did not liquidate until 2012. An investment in the Funds is, therefore, illiquid and should be considered only by investors financially able to maintain their investment for the long term.

## **Subscription Terms; Risk of Forced Sale of Interests.**

Under the terms of the operating agreements of the Funds, to the extent permitted by law, the Funds have the following remedies if a Member defaults in its payment obligations under the operating agreement: (i) cancellation of the balance of the Member's subscription for interests (including the installment as to which the Member has defaulted); (ii) assignment of the balance of the Member's subscription for Interests; (iii) repurchase the interests (or assignment to someone else, including non-members, the right to purchase) of the defaulting subscriber at a purchase price equal to 25% of the lesser of (x) such interests' then-current net asset value and (y) the price at which the member purchased the interests (the "**Discounted Interest Price**") and/or (iv) requirement that the defaulting Member withdraw from the Funds for no consideration, in which case (x) the defaulting Member shall not be entitled to receive any further distributions or allocations and the defaulting Member's Interest shall be cancelled and (y) the defaulting Member's capital account balance shall be apportioned among the other Members in proportion to their respective Interests. Notably, the Funds would have the right to repurchase such interests from a subsequent transferee of the interests at the Discounted Interest Price. Consequently, Members may experience difficulty in finding a purchaser for the interests, and any purchase price paid therefor would likely be at a substantial discount to the Interests' fair market value. In addition, even if a Member's interests were not repurchased by the Funds, such Member's percentage of ownership and the rights related thereto will be diluted if the Member is unable to make subsequent purchases as required by subsequent capital calls of the Funds. Furthermore, if a member breaches the confidentiality provisions of the operating agreement, the Funds have the right, to the extent permitted by law, to repurchase (or assign to someone else, including non-members, the right to purchase) all interests originally purchased by such Member at a purchase price equal to the interests' current net asset value.

## **Competition.**

Other entities and individuals compete for investments similar to those proposed to be made by the Funds, some of whom, with respect to investments in the form of loans, and many of whom, with respect to the equity investments and convertible and subordinated debt, have greater resources than the Funds. Furthermore, competition could increase given the low barriers to entry in the industry. Additionally, the Funds' need to comply with provisions of the 1940 Act pertaining to BDCs and, if the Fund qualifies as a RIC, provisions of the Internal Revenue Code pertaining to RICs, might restrict the Fund's flexibility as compared with its competitors. The need to compete for investment opportunities may make it necessary for the Funds to offer borrowers or companies in which it makes equity investments more attractive terms than otherwise might be the case.

## **Diverse Member Group.**

The Members may have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual Members may relate

to or arise from, among other things, the nature of investments made by the Funds, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Managing Members, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Funds, the Managing Member will consider the investment and tax objectives of the Funds as applicable, and the members as a whole, and not the investment, tax, or other objectives of any member individually.

### **Convertible Debt.**

The Funds may invest in special situations, including convertible debt instruments. The Funds may invest in convertible debt instruments issued by companies of diverse capitalization and creditworthiness, including, without limitation, early-stage private companies, public and late-stage private companies, and companies undergoing restructuring or recapitalization of their existing debt or equity financing. Convertible debt generally offers lower interest yields than nonconvertible debt of similar quality. The market value of debt tends to decline as interest rates increase and, conversely, to increase as interest rates decline. The market value of convertible debt, however, often reflects the market price of common stock of the issuing company when that stock price is greater than the conversion price of the convertible debt. The conversion price is the predetermined price at which the debt instrument could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible debt tends to be influenced more by the yield of the debt instrument. Thus, it may not decline in price to the same extent as the underlying common stock.

### **Subordinated Debt.**

The Funds may invest in special situations, including subordinated debt instruments, which tend to be predominantly high-yield non-convertible debt securities. Investments in high-yield securities involve substantial risk of loss. Sub-investment grade non-convertible debt securities, or comparable unrated securities, are commonly referred to as "junk debt" and are considered speculative with respect to the issuer's ability to pay interest and principal, and are susceptible to default or decline in market value due to adverse economic or business developments. The market values for high-yield securities tend to be very volatile, and these securities are less liquid than investment-grade debt securities.

### **Interest Rate Risk.**

The Funds makes loans to portfolio companies which are fixed upon funding. Changes in the interest rate could adversely affect Fund performance. As stated below in "Leverage", to the extent that a Fund uses leverage in order to acquire loans, the Firm attempts to mitigate the interest rate risk by hedging the amount borrowed.

**Leverage.**

The Funds intend to borrow money from, and issue debt securities to, banks, insurance companies and other lenders to obtain additional funds to originate venture loans. The Funds will do this if such borrowings are available on terms that are acceptable to the Firm and board of directors of the Funds. Any borrowings of the Funds will be subject to the asset coverage requirements under the 1940 Act. The use of leverage increases investment risk. The Fund's use of leverage is premised upon the expectation that the Funds' all-in borrowing costs will be lower than the return the Fund achieves on its investments. To the extent the income or capital gains derived from investments purchased with borrowed funds exceeds the cost of borrowing, the Funds' overall return will be greater than if leverage had not been used. Conversely, if the income or capital gain from the investments purchased with borrowed funds is not sufficient to cover the cost of borrowing, or if the Funds incur capital losses, the return to the Funds will be less than if leverage had not been used, and therefore the amount available for distribution will be reduced or potentially eliminated. Furthermore, since the calculation of the Management Fee is based, commencing two years after the closing of the offering, on a percentage of the managed assets, such fee will be higher if the Fund utilizes leverage than if no borrowings were incurred. The lenders require that the Funds pledge portfolio assets as collateral for borrowings. If the Funds are unable to service the borrowings, the Funds may risk the loss of such pledged assets. Lenders are also expected to require that the Funds agree to loan covenants limiting the Funds' ability to incur additional debt or otherwise limiting the Funds' flexibility, and loan agreements may provide for acceleration of the maturity of the indebtedness if certain financial tests are not met. To minimize risks associated with lending money at fixed rates, the Fund may enter into interest rate hedging transactions with respect to all or any portion of the Fund's investments. There can be no assurance that such interest rate hedging transactions will be available in forms acceptable to the Funds. In addition, entering into interest rate hedging transactions raises costs to the Funds. Finally, it is possible that the Funds could incur losses from being "overhedged," which would result if the loan that was hedged is repaid faster than expected.

**Regulation.**

By virtue of its exclusion from registration pursuant to Section 3(c)(7) of the 1940 Act, the LLC's will operate as a private investment company. Therefore, with the exception of Section 12, the LLC's will not be regulated under the 1940 Act. Among other things, Section 12 regulates investments in other investment companies and certain provisions in Section 12 apply to private investment companies. The Funds which are not LLC's, on the other hand, will elect to be treated as a BDC's under the Small Business Incentive Act of 1980, which modified the 1940 Act. Although BDCs are now exempt from registration under the 1940 Act and are relieved from compliance with a number of the provisions of the 1940 Act, there are now greater restrictions in some respects on permitted types of investments for BDCs. Moreover, the applicable provisions of the 1940 Act continue to impose

numerous restrictions on the activities of the Funds, including restrictions on leverage and on the nature of its investments. While the Funds are not aware of any judicial rulings under, and are aware of only a few administrative interpretations of, the Small Business Incentive Act of 1980, there can be no assurance that such Act will be interpreted or administratively implemented in a manner consistent with the Funds' objectives or manner of operation.

### **Litigation.**

The Funds could be subject to litigation by borrowers, based on theories of breach of contract to lend, "lender liability" or otherwise in connection with its loan and investment transactions. A plaintiff in such a lawsuit may seek to include the parent as defendants even if only the subsidiary were the lender. The defense of such a lawsuit, even if ultimately determined to be without merit, could be costly and time-consuming, to both the parent and subsidiary.

### **Tax Status.**

The Funds which are BDC's must meet a number of requirements, described herein under the caption "Federal Income Taxation," to qualify for the pass-through status as a RIC and, if qualified, to continue to so qualify. For example, the Funds must meet specified asset diversification standards under the Internal Revenue Code which might be difficult to meet if the borrowers under some loans drew down their committed financing at a faster rate than other borrowers, particularly during the early periods of the Funds' operations. If the Funds experience difficulty in meeting the diversification requirement for any fiscal quarter of its taxable year, it might accelerate capital calls or, if available, borrowings in order to increase the portion of the Funds' total assets represented by cash, cash items and U.S. government securities as of the close of the following fiscal quarter and thus attempt to meet the diversification requirement. The Funds, however, would incur additional interest and other expenses in connection with any such accelerated borrowings, and increased investments by the Funds in cash, cash items and U.S. government securities (whether the funds to make such investments are derived from called equity capital or from accelerated borrowings) are likely to reduce the Funds' return. Furthermore, there can be no assurance that the Funds would be able to meet the diversification requirements through such actions. Failure to qualify as a RIC would deny the Funds pass-through status and, in a year in which the Funds have taxable income, would have a significant adverse effect on the return of the Funds. When the Funds elect to convert their status from that of an ordinary, or C, corporation to that of a RIC, they must choose either to (i) pay tax whenever an asset is sold during the ten years following the conversion on the amount of gain which would have been realized had the asset been sold on the conversion date, or (ii) treat the entire amount of "built-in gain" as income at the time of conversion. The Fund has received an opinion that, assuming the Funds' election to be a BDC under Sections 6(f) and 54 of the 1940 Act will be valid and will remain in effect and that the Funds otherwise meets the qualification requirements set forth in Section 851(b) and the distribution requirements in Section 852(a) of the Internal Revenue Code. If the Fund's status as a RIC is challenged by

the IRS in court and properly litigated, a court of competent jurisdiction will respect that status for federal income tax purposes. If the SEC were to disallow the Funds' registration as a BDC, then the Fund would not be eligible to be treated as a RIC and, therefore, would be subject to federal corporate tax on its income and gains. The opinion referred to above is based on the Internal Revenue Code, regulations thereunder, Internal Revenue Service (the "IRS") rulings, procedures and pronouncements, court decisions and other applicable law as of the date hereof, and certain representations that the Funds have made to their legal counsel. Legal opinions, however, are not binding on the IRS or the courts, and no ruling has been or will be requested from the IRS. No assurance can be given that the IRS will concur with such opinion. The Company will be classified as a partnership for U.S. federal income tax purposes. Accordingly, the Company does not pay taxes on its taxable income, but rather allocates its taxable income among its members. Thus, a member will be allocated its share of the taxable income of the Company and be required to pay the taxes with respect to such allocation regardless of whether the Fund has distributed sufficient cash to the members to pay such taxes.

### **Allocation of Expenses.**

If the Company is not deemed to be engaged in a trade or business, individuals and certain other persons who are Members will be required to include in their gross income their allocable share of certain Funds expenses relating to the production of gross income that are allocable to the LLC's. These members, therefore, will be deemed to receive gross income from the LLC's in excess of the distributions they actually receive. Such allocated expenses may be deductible by an individual member as a miscellaneous itemized deduction, subject to the limitation on miscellaneous itemized deductions not exceeding 2% of adjusted gross income to the extent the Funds are not engaged in a trade or business, and such allocated expenses are not deductible in calculating the Alternative Minimum Tax for individuals and certain other persons.

### **Calculation of Management Fees.**

The calculation of the Management Fees could result in the fees being disproportionately large relative to the value of the Funds' portfolio if the total assets of the Fund are low compared to the committed equity capital. This could occur, for example, with regard to the calculation of the management fees payable commencing two years after the first closing, if the loans in the Funds' portfolio are repaid at a rapid rate during such period, or if a large number of the companies in which the Funds hold equity securities are acquired during such period. Additionally, the first two years of a Fund's life, the Fund has not yet reached critical mass, and total assets of the Fund are low compared to the committed equity capital on which Management Fees are based.

## **Investment Risks**

### **International Investments.**

The Fund could invest up to, but not more than, 30% of its total assets in foreign-based companies. Foreign investments are subject to most of the same risks as domestic investments, as well as the political, economic and other uncertainties associated with foreign activities, including the risk of war and political unrest, the impact of laws and policies of foreign governments and the United States affecting foreign investment, and the possibility of being subject to the jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States. Furthermore, there may be practical and local law impediments to cost-effective recovery against collateral located in a foreign country. Moreover, it is possible that taxes may be required to be withheld by the foreign company on dividend and interest payments received by the Funds with respect to such foreign investments. Although capital gains derived by the Funds with respect to such investments in such foreign company may often be exempt from non-U.S. income or withholding taxes, the treatment of capital gains varies among jurisdictions. If the income from such foreign investments is subject to non-U.S. income or withholding taxes, the Funds will attempt to negotiate offsetting gross-up payments from the foreign based company. No assurances, however, can be given that the Funds will be able to negotiate such offsetting payments.

### **Foreign currency and exchange rate risks.**

Fund assets and income may be denominated in various currencies. Contributions and distributions, however, will be denominated in U.S. dollars. As a result, the return of the Funds on any investment may be adversely affected by fluctuations in currency exchange rates, any future imposed devaluations of local currencies, inflationary pressures, and the success of the investment itself. In addition, the Funds may incur costs in connection with conversions between various currencies.

### **Accounting and disclosure standards.**

Accounting, auditing, financial, and other reporting standards, practices, and disclosure requirements in countries in which the Funds may invest are not necessarily equivalent to those required under United States Generally Accepted Accounting Principles (US GAAP) or International Accounting Standards (IAS). Accordingly, less information may be available to investors.

### **Credit Risks.**

Most of the companies with which the Fund and the Company will enter into financing transactions will not have achieved profitability, may experience substantial fluctuations in their operating results or, in some cases, will not have significant operating revenues. The

ability of any borrower to meet its obligations to the Funds, therefore, will depend to a significant extent on the willingness of such borrower's venture capital equity investors or outside investors to provide additional equity financing, which in turn will depend on the borrower's success in meeting its business plan, the market climate for venture capital investments generally and many other factors. The companies to which the Funds will provide financing will frequently be engaged in the development of new products or technologies, and the success of these efforts, or the ability of the companies to successfully manufacture or market products or technologies developed, cannot be assured. These companies frequently face intense competition, including competition from companies with greater resources, and may face risks of product or technological obsolescence, non-acceptance in the market, or rapidly changing regulatory environments, any of which could adversely affect their prospects. The success of such companies often depends on the management talents and efforts of one person or small group of persons whose death, disability or resignation would adversely affect the company.

### **Remedies Upon Default.**

In the event of a default on a portfolio loan, the available remedies to the Funds include legal action against the borrower and foreclosure or repossession of collateral given by the borrower. A Fund may experience significant delays in exercising its rights as a secured lender, and might incur substantial costs in taking possession of and liquidating its collateral and in taking other steps to protect its investment.

In the case of growth capital or working capital loans (where the loan proceeds can be used by the company for general corporate purposes), the Funds will typically receive either a broad lien on substantially all of the borrower's assets, including its intellectual property, or a lien on substantially all of the borrower's assets, excluding intellectual property, with a negative pledge on such intellectual property. With a negative pledge, the borrower pledges not to grant a lien on its intellectual property to others.

For equipment loans, the Funds generally have a first priority security interest in any equipment that the borrower financed with the proceeds of the Funds' loans. The security interest may extend to the borrower's other assets or another lender might have a senior or parity security interest in the borrower's other assets. As noted above, the Fund will utilize certain of its funds in investments that involve the financing of equipment assets. Equipment assets are often subject to rapid depreciation or obsolescence such that it is likely the value of the assets underlying a loan to finance such assets will depreciate during the term of the loan transaction to an amount below the amount of the borrower's obligations. In addition, although borrowers will be required under the transaction documents to provide customary insurance for the assets underlying a loan, and will be prohibited from disposing of the assets without the Funds' consent, compliance with these covenants cannot be assured and, in the event of non-compliance, the assets could become unavailable to the Fund due to destruction, theft, sale or other circumstances. Realization of value from intellectual property collateral can also be time-consuming and present special challenges, given the often unique nature and limited market for such assets. The



Funds' ability to obtain payment beyond the collateral underlying the loan from the borrower might be limited by bankruptcy or similar laws affecting creditors' rights. In limited instances where the Funds take security interests in a borrower's assets located in a foreign country, there may be practical and local law impediments to the cost-effective recovery of such collateral. Therefore, there can be no assurance that the Funds would ultimately collect the full amount owed on a defaulted loan.

On occasion, the Fund will make loans to a borrower that has one or more other secured lenders. In such circumstances, the Funds may share all or a portion of its collateral with the other lender(s) and will enter into intercreditor agreements governing the respective rights of the Funds and such other lender(s), which could limit the Funds' flexibility in pursuing its remedies as a secured creditor, and reduce the proceeds realized from foreclosing or taking possession of the collateral.

### **Emerging Company Risks.**

The possibility that the companies in which the Funds invest will not be able to commercialize their technology or product concept presents significant risk. Additionally, although some of such companies may already have a commercially successful product or product line at the time of investment, technology products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies may depend on their ability to continually innovate in increasingly competitive markets. Most of the companies in which the Funds invest will require substantial additional equity financing to satisfy their continuing growth and working capital requirements. Each round of venture financing is typically intended to provide a company with enough capital to reach the next stage of development. The circumstances or market conditions under which such companies will seek additional capital is unpredictable. It is possible that one or more of such companies will not be able to raise additional financing or may be able to do so only at a price or on terms which are unfavorable.

### **Privately-held Company Risks.**

The Funds intend to invest primarily in privately-held companies. Generally, very little public information exists about these companies and the Funds will be required to rely on the ability of the Firm to obtain adequate information to evaluate the potential returns from investing in these companies. Moreover, these companies typically depend upon the management talents and efforts of a small group of individuals and the loss of one or more of these individuals could have a significant impact on the investment returns from a particular company. Also, these companies frequently have less diverse product lines and smaller market presence than larger companies. They are thus generally more vulnerable to economic downturns and may experience substantial variations in operating results.

## **Due diligence risks.**

Before making investments, the Firm intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence and making an assessment regarding an investment, the Firm will be required to rely on resources available to it, including information provided by the management of the prospective portfolio company, and, in some circumstances, third party investigations. The due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, there can be no assurance that the due diligence investigation that the Firm will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Further, there can be no assurance that such an investigation will result in an investment being successful.

## **Crisis in Financial Markets.**

The ability of the Fund to provide an acceptable return may be adversely affected by economic factors to which the market place is subject. Volatility in the global financial markets reached unprecedented levels during 2008 and 2009, and these levels of volatility could return. The resulting market turmoil could have a material adverse effect on the Funds' business and operations. The tightening of the credit markets could impair the Funds' ability to utilize leverage to maximize the return it achieves on investments. The first four Funds, and, to a lesser extent, Fund V, Fund VI, and Fund VII utilized leverage to maximize return to investors. If the Funds are unable to utilize leverage to the same extent as the prior Funds, or unable to utilize leverage at all, there could be a material difference in the Funds' return to investors as compared to the prior Funds. It is possible that market conditions could decrease the demand for venture loans. Furthermore, market conditions could also adversely impact the ability of the Funds' borrowers to meet their obligations to the Fund and the value of the Funds' direct investments in companies. Most of the companies in which the Funds will invest will not have achieved profitability and will require substantial equity financing to satisfy their continuing growth and working capital requirements. An economic downturn could decrease the demand for such borrower's products and technology, thereby impairing such borrower's financial condition and ability to raise additional equity financing from outside investors. This could result in an increase in borrower defaults under their obligations to the Funds, or a decrease in the value of the Funds' direct equity investments. U.S. and global economic conditions could continue to deteriorate and remain weak for an extended period of time.

## **Other Global Economic Risks.**

In addition to the crisis in the financial markets discussed above, the ability of the Funds to provide an acceptable return may be adversely affected by other economic and business factors to which the U.S. market place is subject. These factors, which generally are beyond the control of the Firm, include: general economic conditions, such as inflation and

fluctuations in general business conditions; the impact of further terrorist attacks against the United States; the effects of strikes, labor disputes and foreign political unrest; and uncertainty of the recovery of the U.S. economy.

### **Speculative Nature of Warrants and Equity Investments.**

The value of the warrants that the Funds generally receive in connection with their financing investments is dependent on the value of the equity securities for which the warrants can be exercised. The value of such warrants, direct equity investments, and equities received upon conversion of debt instruments is dependent primarily on the success of the company's business strategy and the growth of its earnings, but also depends on general economic and equity market conditions. The prospects for achieving consistent profitability in the case of many companies in which the Funds invest are speculative. The warrants, equity securities for which the warrants can be exercised, direct equity investments, and equities received upon conversion of debt instruments generally will be restricted securities that cannot readily be sold for some period of time. If the value of the equity securities underlying a Fund's warrant do not increase above the exercise price during the life of the warrant, the Fund, would permit the warrant to expire unexercised and the warrant would then have no value.

### **Illiquidity of Investments.**

The Funds anticipate that substantially all of their portfolio investments (other than short-term investments) will consist of securities that, at the time of acquisition, are subject to restrictions on sale and for which no ready market will exist. Restricted securities cannot be sold publicly without prior agreement with the issuer to register the securities under the 1933 Act, or by selling such securities under Rule 144 or other provisions of the 1933 Act which permit only limited sales under specified conditions. Venture loans and equity investments are privately negotiated transactions, and there is no established trading market in which such loans and equity investments can be sold. Convertible and subordinated debt investments may also be privately negotiated transactions. In the case of warrants or equity securities, the Funds generally will realize the value of such securities only if the issuer is able to make an initial public offering of its shares, or enters into a business combination with another company which purchases the Funds' warrants or equity securities or exchanges them for publicly-traded securities of the acquiror. The feasibility of such transactions depends upon the entity's financial results as well as general economic and equity market conditions. A crisis in the financial markets would dramatically reduce the volume of initial public offerings and mergers and acquisitions in the market place. If such crisis occurs, the Funds' ability to realize liquidity through its investments will be impaired. Furthermore, even if the restricted warrants or equity securities owned by a Fund become publicly-traded, the Fund's ability to sell such securities may be limited by the lack (or limited nature) of a trading market for such securities. If the Funds hold material nonpublic information regarding the issuer of the securities, the Funds' ability to sell such securities may also be limited by insider trading laws. When restricted securities are sold to the public, the Funds, under certain

circumstances, may be deemed an “underwriter” or a controlling person with respect thereto for the purposes of the 1933 Act, and be subject to liabilities as such under that Act. Because of the illiquidity of the Funds’ investments, most of their assets will be carried at fair value as determined by the Firm and, in the case of the Funds which are BDC’s, approved by the Board of Directors. This value will not necessarily reflect the amount ultimately realized upon a sale of the assets.

### **Non-Diversified Status.**

The Fund will be classified as a “non-diversified” investment company under the 1940 Act. At such time as the Funds meet certain asset diversification requirements, the Funds intend to qualify as a RIC under the Internal Revenue Code and will thereafter seek to continually meet the diversification standards thereunder. Nevertheless, the Funds’ assets may be subject to a greater risk of loss than if its investments were more widely diversified.

### **Conflicts of Interest.**

The Firm serves as investment manager for several Funds. The Fund’s Board of Directors will approve the allocation amount that the Firm allocates. The Firm allocates such opportunities among the Funds in a manner deemed fair and equitable considering all of the circumstances in accordance with procedures approved by the Funds’ Board of Directors (including a majority of the disinterested directors).

From time to time the Firm may have an opportunity to evaluate an investment in a company in which an Access Person or an Access Person’s family member has a preexisting personal investment or an employment or other material relationship. In such cases, it is the policy of Westech and the Funds that the Access Person notifies the investment team of such a conflict and recuses himself or herself from the deal approval process. In addition, if the Funds proceed with an investment in such a company, the such potential conflicts are disclosed to the Fund’s board of directors.

### **Intercreditor Agreements.**

In each transaction in which more than one lender is present (including when more than one Fund is a lender), it is expected that the Funds will enter into an intercreditor agreement pursuant to which the Funds will cooperate in pursuing their remedies following a default by the common borrower. Generally, under such intercreditor agreements between Funds, each party would agree that its security interest would be treated in parity with the security interest of the other party, regardless of which security interest would have priority under applicable law, but intercreditor agreements vary from deal to deal. Accordingly, proceeds realized from the sale of any collateral or the exercise of any other creditor’s rights may be allocated between the Funds pro rata in accordance with the amounts of their respective investments. An exception to the foregoing arrangement would occur in situations where, for example, one of the lenders financed specific items of equipment collateral or receivables; in that case, usually the lender who

financed the specific assets will have a senior lien on that asset, and the other lender will have a junior priority lien (even though they may ratably share liens of equal priority on other assets of the common borrower). As a result of such intercreditor agreements, the Funds may have less flexibility in pursuing its remedies following a default than it would have had had there been no intercreditor agreement, and the Fund may realize fewer proceeds. In addition, because the Funds often invest at the same time in the same borrower, such borrower would be required to service two loans rather than one. Any additional administrative costs or burdens resulting therefrom may make the Funds a less attractive lender, and may make it more difficult for the Funds to acquire such loans.

### **Interest of the Managing Member.**

The allocations and distributions to the managing member will be based on a percentage of the Funds' overall distributions to members. The Managing Member believes this structure might benefit the Funds by creating a greater identity of economic interest between the Funds and the Managing Member. This structure, however, might also create an incentive for the Firm (as the Managing Member and the investment manager) to make investments that are riskier or more speculative than would be the case in the absence of such structure. In order to mitigate this risk, the Fund has processes in place to make sure that senior executives have to review and approve all transactions.

### **Effect of Borrowings.**

During the first two years of the Funds' investment operation, the management Fee will be calculated with reference to the committed equity capital of the LLC's, regardless of when or if all of such capital is called. Thereafter, the management fee will be based on a percentage of the Funds' assets, including amounts derived from borrowed funds. Therefore, decisions by the Firm to cause the Funds to borrow additional capital may increase the quarterly fees payable to the Firm. The Funds' overall borrowing limits, however, are set by the Funds' Board of Directors in light of its fiduciary obligations.

### **Indemnification and Exculpation.**

The organizational documents of the Funds provide for indemnification of directors, officers, employees, advisory board members and agents (including the Firm) of the Funds to the full extent permitted by applicable state law and the 1940 Act, including the advance of expenses and reasonable counsel fees. The charter of the Funds also contains a provision eliminating personal liability of a Funds' director or officer to the Funds or its stockholder for money damages, subject to specified exceptions. The operating agreement of the LLC's contains a similar provision. A successful claim for such indemnification, including payment of any expenses and counsel fees, would reduce the Funds' assets by the amounts paid.

## **Disinterested Directors.**

Although the continued service of all directors will be subject to annual election by members, the initial selection of directors, including the disinterested directors, will be made by the Firm. The members of the Funds' Board of Directors will overlap with the members of the LLC's advisory boards, with the members of the LLC's advisory boards being the same as, or a subset of, the disinterested directors of the Funds. Although the Firm expects that, given the LLC's 100% ownership of the Funds, the interests of the two entities will not diverge, it is conceivable that a conflict of interest could exist between the Funds and the LLC's. The officers of the Firm may be passive investors in companies in which the Funds are considering an investment, either directly or through an investment in a venture capital fund that, in turn, is an investor in such a company. Although the Firm and the Funds have adopted a policy that any such interest be disclosed by the officer and reported to the Board of Directors of the Fund, and that such officer refrain from participating in the decision to offer credit to, or make an investment in, the respective company, such investments create a potential conflict of interest, in that the officer could try to influence the Funds' investment decisions with regard to such company.

## **Item 9 – Disciplinary Information**

***Neither WTI, nor any management person, has had legal or disciplinary events (i.e., criminal or civil action in domestic, foreign or military court, administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or self-regulatory organization) that are material to evaluating the Firm's advisory business or its integrity.***

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

The Firm's only clients are the Funds. The Firm provides statements of account for all investors on a quarterly basis. The Firm provides full financial and investment information about the Funds, including financial statements and loan and warrant portfolio and other information, to the Boards of Directors of the Funds (or in case of the Funds which are limited liability companies, to their Advisory Boards), at their quarterly board meetings. VLL3, LLC, Fund V, Fund VI Fund VII, VLL4, LLC, VLL5, LLC, VLL6, LLC, and VLL7, LLC report financial statements, loan portfolio and other information quarterly to their shareholders, including annual audited financial statements.

There are certain relationships involving some of the Firm's principals and employees that present potential conflicts of interest. The Firm may recommend that the Funds invest in companies in which a principal or employee has a prior personal investment or for which a principal or employee may serve as a director or advisor. The Firm also may recommend that the Funds invest in companies in which venture capital funds, private equity funds or other institutional investors ("Unaffiliated Funds") also have made investments, where one or more principals or employees of the Firm may have made an investment in, or served as an advisor to, an investing Unaffiliated Fund. The Firm believes that these relationships generally benefit the Funds in that they provide the Firm's principals and employees with access to investments and information that might not otherwise be available to the Firm and the Funds.

Nonetheless, the relationships present potential conflicts of interest in that the relationship could provide the Firm principal or employee in question with an incentive to influence the Firm's decision to recommend an investment in the company in question. They also present potential conflicts of interest in that the Firm principal or employee in question could use information acquired through association with the Firm to influence or benefit Unaffiliated Funds' investment decisions. The Firm addresses these potential conflicts through internal procedures and practices designed to insulate its investment decision-making process and its research from these incentives. For example, principals with a prior investment in a company are recused from the investment decision-making process with respect to that company. Principals serving as advisors to Unaffiliated Funds may present information to an Unaffiliated Fund with respect to a potential Fund portfolio company only after an investment decision has been made by the Funds. The Firm also addresses the potential conflicts of interest through the provisions of its Code of Ethics, as described below.

## **Item 11 – Code of Ethics**

The Firm has adopted a written "Code of Ethics", which applies to every employee of the Firm. The Code of Ethics includes provisions relating to the avoidance of conflicts of interest with the Funds and the Firm and prohibitions on insider trading on material nonpublic information. The Code of Ethics requires employees to report any violations of the Code of Ethics promptly to the Firm's Chief Compliance Officer. Employees are provided with a written copy of the Code of Ethics and any amendments, and sign written acknowledgements of their receipt of the Code of Ethics and any such amendments. Clients or prospective clients of the Firm may request a copy of the Code of Ethics by contacting Martin Eng at (650) 234-4300 or [Martine@Westerntech.com](mailto:Martine@Westerntech.com).

The Code of Ethics also contains personal securities trading procedures which apply to “Access Persons” (generally, persons with access to security trading information of a Fund). Access persons are required to disclose to the Chief Compliance Officer the existence of any interest they have in a company in which a Fund is considering making an investment. The Chief Compliance Officer then reports any such interest to the Board of Directors of the relevant Fund. The Code of Ethics further requires that access persons provide the Chief Compliance Officer with an initial report of their securities holdings, which initial report is required to be updated by quarterly and annual reports. Pre-approval from the Chief Compliance Officer is required before an access person may buy or sell securities in an initial public offering or a private placement, or any security listed on a “restricted list” maintained by the Firm. The Chief Compliance Officer provides periodic reports to the Boards of Directors of the Funds on compliance with the securities trading procedures.

As noted above in Item 10, the Firm may recommend that a Fund invest in companies in which one or more of the Firm’s principals and employees has a prior investment or has a relationship through a directorship, advisory role, and/or an Unaffiliated Fund. The Code of Ethics, in addition to the policies and procedures described above, includes procedures designed to mitigate the potential conflicts that arise from such relationships. The CCO must pre-clear all investments by Access Persons in potential portfolio companies and in Unaffiliated Funds, and the CCO also must pre-clear principals’ outside positions, such as board memberships and advisory roles. Moreover, the Firm’s Code of Ethics requires that all employees put the Funds’ interests over their own personal interests.

The Firm may offer different advice to different Funds, reflecting the differing stages of each Fund’s lifecycle.

## **Item 12 – Brokerage Practices**

Brokers and dealers generally are selected based on their ability to handle transactions involving restricted securities, commission rates or spreads, and breadth of market in particular securities. No soft dollar arrangements are made.

## **Item 13 – Review of Accounts**

The Firm takes a number of steps to manage its investments, which are generally illiquid. On a weekly basis, the entire staff of the Firm meets and reviews several documents. A staff



person presents a "Low Cash List" describing portfolio companies with low liquidity. Each company's cash balance is discussed in detail along with the prospects for the company obtaining additional equity financing from its existing equity investors or from new investors. A staff person provides a delinquency report that shows portfolio companies that have not made their current payment. This list is reconciled to the general ledger by the controller. One of the loan processors presents a listing of potential fundings for evaluation and discussion as well as a list of new commitments made during the quarter. The financial records are kept by the Firm's controller. On a monthly basis the controller reconciles all of the bank accounts for the Funds, and these are also reviewed on a periodic basis by the Firm's Chief Financial Officer ("CFO"). Financial statements are prepared by the Firm's accounting manager and reviewed by the controller on a quarterly basis. These statements are reviewed by the CFO, Chief Executive Officer and the Board of Directors of the Funds. During the review by the CFO, variances that appear to be out of the ordinary are explained. The financial statements of Fund V, Fund VI, and Fund VII are reviewed by the independent auditor on a quarterly basis. On an annual basis, the auditors perform an audit of Fund V, Fund VI, Fund VII, VLL4, LLC, VLL5, LLC, VLL6, LLC, VLL7, LLC and VLL3, LLC.

The Firm's only clients are the Funds. The Firm provides statements of account to all of the Funds' investors on a quarterly basis. The Firm provides full financial and investment information about the Funds, including financial statements, loan and warrant portfolios and other information, to the Board of Directors (or in case of LLC's, the Advisory Boards) of the Funds at their quarterly board meetings. VLL3 LLC, Fund V, Fund VI, Fund VII, VLL4, LLC, VLL5, LLC, VLL6, LLC, and VLL7, LLC report financial statements, loan portfolio and other information quarterly to their shareholders or members, including annual audited financial statements.

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

The Firm does not pay or receive any economic benefit from a non-client in connection with giving advice to clients, and does not compensate any person for client referrals.

#### **Item 15 – Custody**

WTI is not a custodian. and its practice is not to have physical custody of client assets. Notwithstanding the foregoing, the Firm recognizes that it may be deemed to have custody under certain circumstances. In circumstances where WTI may be deemed to have custody, it complies with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940, which requires, among other things, that a qualified custodian (for example, a

bank or broker-dealer) maintain all client funds and securities. For example, WTI serves as Managing Member for the Funds and may be deemed to have custody of the Funds' (other than the BDC's) assets by virtue of this role:

The Funds are subject to annual audit and WTI will ensure that audited financial statements are prepared in accordance with Generally Accepted Accounting Principles (by an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board) and distributed to all members within 120 days of such Fund's fiscal year-end. Clients and members should carefully review all account statements received from qualified custodians.

#### **Item 16 – Investment Discretion**

WTI receives discretionary authority from the Fund at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Firm observes the investment policies, limitations and restrictions of the Funds for which it advises. For business development companies, the Firm's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments [and favor the holding of investments once made].

#### **Item 17 – Voting Client Securities**

The Firm has adopted Proxy Voting Policies with respect to the proxies it votes on securities owned by the Funds (the "Proxy Policies"), which set forth the Firm's policies for voting equity securities acquired by the Funds through the exercise of warrants ("Warrant Equities") and equity securities purchased directly from the issuer ("Direct Equities"). With regard to Warrant Equities, the Firm will (i) refrain from voting Warrant Equities unless the amount of such securities exceeds 0.50% of all securities of the issuer entitled to vote at that meeting, and (ii) if such threshold is exceeded, vote the Warrant Equities and report its vote, together with its rationale, to the Board of Directors of the relevant Fund. With regard to Direct Equities, (i) For Direct Equities that are those of a private company, the Proxy Policies contain guidelines for the Firm to consider when voting such equities, and (ii) Direct Equities for a public company, the Firm will follow the same guidelines as it

follows for Warrant Equities. The foregoing summary of the Proxy Policies is qualified in its entirety by reference to the Proxy Policies, a copy of which will be provided to any client or investor upon written request without charge.

#### **Item 18 – Financial Information**

The Firm does not have any financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.