

INVESTMENT ADVISER BROCHURE

KINDERHOOK INDUSTRIES, LLC

521 Fifth Avenue, 34th Floor
New York, NY 10175

<http://www.kinderhookindustries.com>

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Kinderhook Industries, LLC, a Delaware limited liability company (“Kinderhook Industries”). If you have any questions about the contents of this Brochure, please contact us at (212) 201-6780. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

Additional information regarding Kinderhook is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This Brochure contains material changes to the initial Form ADV Part 2 filed by Kinderhook Industries on February 14, 2012 (the “**Initial Brochure**”). Immediately below is a discussion of such material changes. Such discussion sets forth only material changes to the Initial Brochure.

This Brochure reflects the following material changes to the Initial Brochure: (1) a conforming change to the description on page 1 of the assets under management; (2) clarifications regarding Management Fees (defined below) paid by Fund III (defined below) and related Management Fee Offsets (defined below); (3) clarifications regarding Portfolio Company Fees (defined below); and (4) the deletion from “Methods of Analysis, Investment Strategies and Risk of Loss” of certain risk factor descriptions that do not relate to Kinderhook’s investment strategy or method.

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ADVISORY BUSINESS

Kinderhook (defined below) is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with Kinderhook Industries, LLC, a Delaware limited liability company (“**Kinderhook Industries**” and, together with such affiliated organizations, collectively, “**Kinderhook**”), that manages approximately \$897 million in private fund assets. Kinderhook commenced operations in April 2003.

Kinderhook Industries, a registered investment adviser, provides investment advisory services to private investment funds. Kinderhook Industries and its affiliated investment advisers, Kinderhook Capital Fund I GP, LLC, a Delaware limited liability company (“**Kinderhook I GP**”), Kinderhook Capital SBIC Fund I GP, LLC (“**Kinderhook SBIC Fund I GP**”), Kinderhook Capital Fund II GP, LLC, a Delaware limited liability company (“**Kinderhook II GP**”), Kinderhook Capital Fund III GP, LLC, a Delaware limited liability company (“**Kinderhook III GP**”), Kinderhook Industries I, L.P., a Delaware limited partnership (“**Management Agent I**”), Kinderhook Industries II, L.P., a Delaware limited partnership (“**Management Agent II**”) and Kinderhook Industries III, L.P., a Delaware limited partnership (“**Management Agent III**”, and together with Kinderhook I GP, Kinderhook II GP, Kinderhook III GP, Management Agent I and Management Agent II, collectively, the “**Affiliated Advisers**” and the Affiliated Advisers together with Kinderhook Industries, collectively, the “**Advisers**”) provide investment advisory services to private investment funds (as defined below).

Each Affiliated Adviser is registered under the Advisers Act pursuant to the registration of Kinderhook Industries in accordance with SEC guidance. This Brochure also describes the business practices of each Affiliated Adviser, which operate as a single advisory business together with Kinderhook Industries.

In its capacity as the management company of Kinderhook Capital Fund I, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, other than, for the avoidance of doubt, SBIC Fund I (defined below) “**Fund I**”), Kinderhook Industries has the authority to manage the business and affairs of Fund I, and Kinderhook Industries has appointed Management Agent I to serve as co-manager of Fund I. Kinderhook I GP is the general partner of Fund I.

In its capacity as the management company of Kinderhook Capital SBIC Fund I, L.P., a Delaware limited partnership (“**SBIC Fund I**”), Kinderhook Industries has the authority to manage the business and affairs of SBIC Fund I. Kinderhook SBIC Fund I GP is the general partner of SBIC Fund I. Fund I and the United States Small Business Administration (the “**SBA**”) are the only limited partners of SBIC Fund I. SBIC Fund I serves as an investment vehicle of Fund I by using SBIC Fund I’s SBIC license (the “**SBIC License**”) to operate as a small business investment company (an “**SBIC**”) under Section 301(c) of the Small Business Investment Company Act of 1958, as amended, and the rules and regulations promulgated thereunder by the SBA, as in effect from time to time (the “**SBIC Act**”) and to borrow up to \$100 million of financing from the SBA to complete small business investments (the “**SBA Financing**”). As described in the Fund I private placement memorandum and pursuant to the Fund I limited partnership agreement, the SBA Financing is structured as a preferred limited partnership interest in SBIC Fund I bearing (x) a prioritized payment (based on the ten-year U.S.

Treasury interest rate) on the amount of SBIC Financing at the time of determination, and (y) a profit participation (based on the ten-year U.S. Treasury Bond interest rate and the amount of SBA financing outstanding at the time of determination) when distributions of SBIC Fund I profits are made to the limited partners of SBIC Fund I.

In its capacity as the management company of Kinderhook Capital Fund II, L.P., a Delaware limited partnership (together with any feeder vehicles, alternative investment vehicles and other special purpose entities, “**Fund II**”), Management Agent II has the authority to manage the business and affairs of Fund II. Kinderhook II GP is the general partner of Fund II.

In its capacity as management company of Kinderhook Capital Fund III, L.P., a Delaware limited partnership (“**Fund III**” and, together with Fund I, SBIC Fund I, and Fund II, each a “**Fund**” and, collectively, the “**Funds**” and together with any parallel and alternative investment vehicles, the “**Private Investment Funds**”), Management Agent III has the authority to manage the business and affairs of Fund III. Kinderhook III GP is the general partner of Fund III.

The Advisor’s advisory services for Private Investment Funds are detailed in the applicable private placement memoranda and limited partnership agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints. The Funds or the Advisers have entered into side letters or other similar agreements with certain investors that have the effect of establishing rights under or altering or supplementing the applicable Fund’s limited partnership agreement.

As of December 31, 2011, Kinderhook managed \$897 million in client assets on a discretionary basis. Kinderhook is controlled by Thomas L. Tuttle, Robert E. Michalik and Christian P. Michalik who act as the managing members of Kinderhook Industries (the “**Principals**”).

FEES AND COMPENSATION

In general, the Adviser’s receive management fees (“**Management Fees**”) in connection with their advisory services. Kinderhook Industries or other Kinderhook entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the Management Fee otherwise payable. Limited partners in the Funds also bear certain fund expenses.

Management Fees

SBIC Fund I

SBIC Fund I pays to Kinderhook Industries, a Management Fee quarterly in advance equal to 2.0% per annum of the aggregate amount of regulatory capital (as defined by the SBA) and SBA financing to the extent that investments made by SBIC Fund I in SBIC Fund I portfolio companies have not been disposed of or written-down. The Management Fee payable by SBIC Fund I will be reduced by 75% of Portfolio Company Fees (defined below), net of unreimbursed

expenses, received by any of the Advisers (“**Offset Fees**”). All Offset Fees received by the Advisers will reduce the Management Fee for the three-month period immediately following the quarterly period of receipt and, if the amount of such Offset Fees exceeds the Management Fee for such three-month period, each subsequent three-month period until all Offset Fees have been so applied. “**Portfolio Company Fees**” means, generally, all closing fees, commitment fees, monitoring fees, director’s fees, break-up fees, consulting fees, investment banking fees, managing fees or any other similar fees received by the Advisers from a portfolio company or a prospective portfolio company.

SBIC Fund I will pay for all expenses (other than the General Partner’s or any of its affiliates’ ordinary administrative and overhead expenses (other than Management Fees) of managing SBIC Fund I) attributable to SBIC Fund I’s activities, including, but not limited to, taxes, legal, auditing, accounting and consulting expenses (including any such expenses associated with unconsummated transactions), expenses associated with the preparation of SBIC Fund I’s financial statements, tax returns and other similar reports, out-of-pocket expenses of the advisory board of Fund I, Management Fees, fees paid to the SBA or other funding agency in connection with any participating securities issued to the SBA, and other expenses associated with SBIC Fund I (including extraordinary expenses such as litigation and indemnification, if any).

Fund I

Fund I pays a Management Fee to Kinderhook Industries, quarterly in advance, equal to 2.0% per annum multiplied by the sum of the aggregate amount of capital contributions attributable to investments that have not been realized, completely written off or structured as a bridge minus the regulatory capital of SBIC Fund I.

The Management Fee payable by Fund I will be reduced by 75% of Portfolio Company Fees (not including, for this purpose, Portfolio Company Fees used to calculate the amount of Management Fee paid by SBIC Fund I), net of unreimbursed expenses, received by any of the Advisers. All Offset Fees received by the Advisers will reduce the Management Fee for the three-month period immediately following the quarterly period of receipt and, if the amount of such Offset Fees exceeds the Management Fee for such three-month period, each subsequent three-month period until all Offset Fees have been so applied.

In addition to the Management Fee, Fund I will pay for all expenses (other than the General Partner’s or any of its affiliates’ ordinary administrative and overhead expenses (other than Management Fees) of managing Fund I) attributable to Fund I’s activities, including, but not limited to, taxes, legal, auditing, accounting and consulting expenses (including any such expenses associated with unconsummated transactions), expenses associated with the preparation of Fund I’s financial statements, tax returns and other similar reports, out-of-pocket expenses of the advisory board of Fund I, Management Fees, fees paid to the SBA or other funding agency in connection with any participating securities issued to the SBA, and other expenses associated with Fund I (including extraordinary expenses such as litigation and indemnification, if any).

The Management Fee will be further reduced in the circumstances and by the amounts described in the limited partnership agreement.

Fund II

Fund II currently pays a Management Fee to Management Agent II, quarterly in advance, equal to 2% of aggregate investment contributions to the extent that the investments for which such investment contributions were made have not been disposed of, completely written off or structured as a bridge.

The Management Fee payable on each Management Fee due date shall be reduced by an amount equal to the Management Fee that Management Agent II has irrevocably elected to waive in a written notice delivered to Fund II (“the **Fund II Waived Management Fees**”). Fund II Waived Management Fees are not subject to the Management Fee offsets described below. Due to any such waiving of Management Fees and/or timing of receipt of compensation subject to offsets (as described below), it is possible that the Management Fee offsets will not be fully realized by investors in Fund II, resulting in an additional benefit to Management Agent II.

Management Agent II shall apply 50% of any Portfolio Company Fees to reduce the Management Fee, after giving effect to the Fund II Waived Management Fees, for the quarterly period immediately succeeding the quarterly period in which any such fee was received, directly or indirectly, by the Advisers. In the event that the amount of breakup fees, transaction fees or monitoring fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, 100% of such excess is carried forward to reduce the Management Fee payable in the following three-month periods.

In addition to the Management Fee, Fund II is responsible for all other costs and expenses of Fund II that are not reimbursed by portfolio companies, including legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with Fund II’s financial statements, tax returns and Schedule K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the advisory board and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against Fund II.

The Management Fee will be further reduced in the circumstances and by the amounts described in the limited partnership agreements.

Fund III

During its investment period, Fund III pays the Management Fee to Management Agent III, quarterly in advance, equal to 2% of aggregate capital commitments. As the end of such period, the Management Fee will step down to equal 2% of aggregate investment contributions that were made for investments that have not been disposed of, completely written off or structured as a bridge.

The Management Fee payable on each Management Fee due date shall be reduced by an amount equal to the Management Fee that Management Agent III has irrevocably elected to waive in a written notice delivered to Fund III (the **Fund III Waived Management Fees**). Fund III Waived Management Fees are not subject to the Management Fee offsets described below.

Management Agent III shall apply 50% of any Portfolio Company Fees (up to a certain dollar amount and 100% thereafter) to reduce the Management Fee, after giving effect to the Fund III Waived Management Fee Waiver, for the quarterly period immediately succeeding the quarterly period in which any such fee was received, directly or indirectly, by the Advisers. In the event that the amount of breakup fees, transaction fees or monitoring fees to be applied against the Management Fee exceeds the Management Fee for the immediately succeeding three-month period, 100% of such excess is carried forward to reduce the Management Fee payable in the following three-month periods. Any Management Fee Offsets remaining at the end of the life of Fund III will be distributed to the partners.

In addition to the Management Fee, Fund III is responsible for all other costs and expenses of Fund III that are not reimbursed by portfolio companies, including legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with Fund III's financial statements, tax returns and Schedule K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the advisory board and annual meetings of the limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against Fund III.

The Management Fee will be further reduced in the circumstances and by the amounts described in the limited partnership agreements.

Other Information

Kinderhook Industries may exempt certain investors in Private Investment Funds from payment of all or a portion of Management Fees and/or Carried Interest (as defined below). Any such exemption from Management Fees and/or Carried Interest may be made by a direct exemption, a rebate by Kinderhook Industries and/or its affiliates or through other Private Investment Funds which co-invest with the Funds.

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

The Principals or other employees of Kinderhook may receive a portion of the Management Fee, Carried Interest or other compensation received by Kinderhook Industries or its affiliates.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Kinderhook Industries does not receive a carried interest allocation (“**Carried Interest**”) for its advisory services to the Funds. Rather, each of Kinderhook I GP, Kinderhook II GP and Kinderhook III GP receive a Carried Interest equal to 20% of all aggregate realized profits from each of the Funds in excess of an 8% compound preferred return as more fully described in the applicable Fund's limited partnership agreement. If any of the Advisers receive Carried Interest distributions of the applicable Fund which are, in the aggregate, in excess of 20% of such Fund's

cumulative net profits (subject to the 8% compound preferred return), then such excess Carried Interest distributions will be subject to repayment by such Adviser. The Advisers do not advise Private Investment Funds not subject to a Carried Interest. The Funds' respective General Partners may waive Carried Interest with regard to certain limited partners in the applicable Fund as described under "Fees and Compensation."

TYPES OF CLIENTS

Kinderhook provides investment advice to the Private Investment Funds, including the Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, the Principals or other employees of Kinderhook and its affiliates.

The Funds generally have a minimum investment amount of between \$1 million and \$5 million, as further described in the Funds' respective private placement memoranda, for third-party investors, but allow lesser amounts if waived by Kinderhook Industries. The Fund interests are offered and sold solely to a limited number of "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933, as amended. The Funds will accept commitments only from persons who are "qualified purchasers" as that term is defined under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (or qualified knowledgeable Kinderhook personnel).

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Kinderhook Industries seeks to partner with management to make equity and equity-like investments in companies in the lower middle market. Kinderhook is focused on acquiring and growing non-core divisions of corporate parents, entrepreneurial businesses in transition and family-owned businesses seeking liquidity. Kinderhook seeks to acquire companies that are, or have the potential to become, market leaders through investment or add-on acquisitions under Kinderhook's ownership.

Kinderhook seeks to develop a disciplined and repeatable approach to investing in the lower middle market. Once an investment opportunity has been identified, the Advisers seek to implement an effective operating strategy to improve the performance of the acquired company by (i) partnering with the management team to drive operating efficiencies and organize growth and (ii) providing significant financial and management resources where needed and (iii) identifying additional follow-on acquisitions to drive scale.

There can be no assurance that the Advisers will achieve the investment objectives of the Funds and a loss of investment may be possible.

Investment and Operating Strategy

Lower Middle-Market Focus. Kinderhook believes that this market contains a large target universe of acquisition prospects with less sophisticated intermediation, is characterized by a favorable ratio of capital to investment opportunities, and is comprised of a significant number of sound businesses that are under-managed and/or under-capitalized.

Close Network of Sourcing Relationships. Kinderhook targets transactions sourced through a network of business brokers, managers, advisors, lawyers, accountants, bankers, lenders and other intermediaries. This approach has enabled Kinderhook to build strong relationships within the broker community and allowed Kinderhook to identify proprietary transactions early in their scale processes.

Build Management Team. Kinderhook seeks to partner with executives who possess superior talent on a relative basis in the markets in which they compete and who can add value both pre- and post-investment. In order to cultivate strong management partnerships in successful investments, Kinderhook attempts to bring high-quality executives down market to lower middle-market businesses. Kinderhook maintains a network of senior executives across various industries and geographies who may ultimately source deals, serve as portfolio company directors, serve in direct management roles, invest in portfolio companies alongside Kinderhook and/or invest in the Funds.

Follow-on Acquisitions. Kinderhook invests substantial resources in identifying and executing on follow-on acquisitions which drive scale and internal operating efficiencies. To date, Kinderhook has completed more follow-on acquisitions than platform investments.

Post-Acquisition Value Creation. Kinderhook pursues investment opportunities in which it believes it can create value by implementing strategic and operational changes. After the acquisition of a portfolio company, Kinderhook and the Advisers focus on organic growth. This growth may be achieved through improved marketing, product line extensions, geographic expansion, better supply chain management or more efficient distribution. In some instances, Kinderhook may acquire companies with one or more deficiencies, such as an inadequate existing management team, customer concentration or poor management information systems. Kinderhook attempts to utilize the due diligence process to identify and understand the risks to which its capital may be exposed during the investment and then tries to work with management pre-acquisition to develop plans to correct, diversify or mitigate these risks post-acquisition. As part of Kinderhook's investment strategy, it believes that assuming these risks present Kinderhook with opportunities to pay a lower multiple at the time of acquisition and, after correcting them, realize a higher multiple upon exit.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Adviser's investment strategy entails. Potential investors should review each Fund's private placement memoranda for information regarding risks specific to each Fund. In general, the risks involved with the Adviser's investment strategy and an investment in the Funds include, but are not limited to:

Business Risks. Each Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict.

Such investments involve a high degree of business and financial risk that can result in substantial losses.

Future and Past Performance. The past performances of the prior investments of the Principals or of any of the Funds are not necessarily indicative of the Fund's future results. Descriptions of specific investments included in this Brochure are for illustration of Kinderhook's investment process only, and are not a guarantee that specific investments made by the Funds will be successful. While the Advisers intend for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

Concentration of Investments. Each Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, each Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Funds may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to pay management fees during the commitment period based on the entire amount of their commitments.

Illiquidity; Lack of Current Distributions. An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating each of the Funds (including the annual management fee payable to the Advisers) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Leveraged Investments. The Funds may make use of leverage by causing a portfolio company to incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of its investments. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt

service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, should the credit markets be tight at the time the Funds determine that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Funds will invest generally will not be rated by a credit rating agency.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to the partners.

Reliance on the Advisers and Portfolio Company Management. Each Fund will be entirely dependent on the Advisers, and a Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend entirely on the actions of the Advisers. Although the Advisers will monitor the performance of each of the Fund's investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Projections. Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, each Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Funds will make follow-on investments or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Funds not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Funds to increase its participation in a successful operation.

Non-U.S. Investments. The Funds may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Funds), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Funds and/or the partners with respect each of the Fund's income, and possible non-U.S. tax return filing requirements for each Fund and/or their partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Public Company Holdings. The Funds' investment portfolios may contain securities issued by publicly-held companies. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Director Liability. The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes a Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, is currently restricted. This may have an adverse effect on the economy generally and on the ability each of the Funds and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Funds make investments.

Conflicts of Interest

The individual members or partners of the Advisers may also work for one or more other investment funds, as may be permitted under the limited partnership agreements, and conflicts of interest may arise in allocating management time, services or functions among such entities. It is possible that a permitted other investment fund will invest in a company that is or becomes a competitor of a portfolio company of a Fund. Such investment could create a conflict between a Fund and the permitted other investment fund.

During the commitment period of a Fund, the Advisers will pursue all appropriate investment opportunities exclusively through such Fund, subject to certain limited exceptions. However, the Advisers currently manage several other investment funds and investments similar to those in which the Funds will be investing, and may direct certain relevant investment opportunities to those investment funds and investments. The Adviser's investment staff will continue to manage and monitor such investment funds and investments. The significant investment of the Principals in the Funds, as well as the Advisers' interest in the carried interest, operate to align, to some extent, the interests of the Advisers with the interests of the Funds and the partners, although the Advisers have economic interests in such other investment funds and investments as well and receive management fees and Carried Interests relating to these other interests. Such other investment funds and investments that the Advisers may control may compete with one of the Funds or companies acquired by the Funds. Following the commitment period of a Fund, the Advisers may and likely will focus their investment activities on other opportunities and areas that may or may not be related to the Fund's investments.

From time to time, Kinderhook Industries will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Private Investment Funds, and other investment vehicles operated by advisory affiliates of Kinderhook Industries. In determining which investment vehicles should participate in such investment opportunities, Kinderhook Industries and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Kinderhook Industries will attempt to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by the advisory affiliates of Kinderhook Industries to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary, Kinderhook Industries consults and receives consent to conflicts from an advisory board consisting of the limited partners of the applicable Fund and such other investment vehicle. Additionally, since certain Advisers are permitted to retain certain Portfolio Company Fees (as described under "Fees and Compensation") in connection with the applicable Fund's investments, such Advisers could have a conflict of interest in approving certain transactions.

DISCIPLINARY INFORMATION

Kinderhook Industries and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Kinderhook is affiliated with other investment advisers registered with the SEC under the Advisers Act pursuant to the registration of Kinderhook Industries in accordance with SEC

guidance. These affiliated investment advisers serve as managers or general partners of the Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

The Advisers have adopted the Kinderhook Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of Kinderhook Principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Kinderhook personnel to report their personal securities transactions, prohibits or requires pre-clearance for Kinderhook personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Kinderhook personnel from directly or indirectly acquiring beneficial ownership of certain securities, without first obtaining approval from the Kinderhook Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to the Kinderhook Chief Compliance Officer, at (212) 201-6780. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Advisers and their affiliates may directly or indirectly own an interest in Private Investment Funds, including the Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds.

The Funds and other Private Investment Funds may invest together with other funds advised by an affiliated adviser of Kinderhook in the manner set forth in their limited partnership agreements. The Advisers will determine the allocation of investment opportunity in a manner that it believes is fair and equitable to its clients consistent with the Advisers’ obligations and may take into consideration factors such as the following: the client’s investment restrictions and objectives (including those set forth in the relevant client’s governing documents, where

applicable), investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits and other relevant factors, including risk.

The Advisers and their respective affiliates, Principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for the Funds even though their investment objectives may be the same or similar.

From time to time, the Advisers may borrow funds on behalf of the Private Investment Funds and contribute such borrowed amounts to the relevant Private Investment Fund as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant Private Investment Fund) as a fund expense, consistent with the limited partnership agreement (or other governing document) of such Fund and the expense policy described under “Fees and Compensation.” In borrowing on behalf of a Private Investment Fund, the Advisers are subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of such Private Investment Fund, as applicable. The Advisers will effect such borrowings in a manner they believe to be fair and equitable to such Private Investment Fund and consistent with the Adviser’s obligations under the limited partnership agreement (or other governing document).

BROKERAGE PRACTICES

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

If the Advisers sell publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on various factors including price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on

the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared among the Advisers and their affiliates.

The Advisers do not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the Advisers have determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Advisers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The Advisers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to obtain best execution for the Funds, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Adviser allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Private Investment Funds' interest in receiving most favorable execution.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Advisers may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Advisers may, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Private Investment Fund of the Advisers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each

participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds.

Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, Kinderhook closely monitors companies in which the Funds invest, and the Kinderhook Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

Each Fund will provide to each of its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) at the time of delivery of the financial statements, reports providing a description of all investments held by the Funds and a narrative summary of the status of each such investment.

CLIENT REFERRALS AND OTHER COMPENSATION

Kinderhook Industries and/or its affiliates may provide certain business or consulting services to companies in a Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Fund's limited partnership agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, the Advisers may enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential limited partner becoming a limited partner in a Fund or other Private Investment Fund. Any fees and expenses payable to any such placement agents will borne by Kinderhook indirectly through an offset against the Management Fee. For Fund III, UBS Securities LLC ("**UBS**") was retained as its primary placement agent in connection with the formation of the Fund in exchange for a fee equal to 2% of the aggregate capital commitments that UBS arranged for Fund III.

CUSTODY

Kinderhook maintains custody of the Funds' assets held in each Fund's name with the following qualified custodians: JPMorgan Private Bank.

INVESTMENT DISCRETION

The Advisers have discretionary authority to manage the investments on behalf of the applicable Fund pursuant to the respective limited partnership agreements described under “Advisory Business.” As a general policy, the Advisers do not allow clients to place limitations on this authority. Pursuant to the terms of the limited partnership agreements, however, the Advisers may enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partners’ investment in the Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assumes this discretionary authority pursuant to the terms of the limited partnership agreement and powers of attorney executed by the limited partners of the Funds.

VOTING CLIENT SECURITIES

The Advisers have adopted the Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for each Fund’s (and any Private Investment Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Each of the Advisers generally believes its interests are aligned with those of Funds’ limited partners through the principals’ beneficial ownership interests in the Funds and therefore will not seek limited partner approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives, including by seeking the approval or concurrence of the Funds’ advisory boards on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the Funds’ advisory boards may approve the Adviser’s vote in a particular solicitation. The Advisers do not consider service on portfolio company boards by Kinderhook personnel or their receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Funds. If you would like a copy of the Adviser’s complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies, please contact the Kinderhook Chief Compliance Officer, at (212) 201-6780, and it will be provided to you at no charge.

FINANCIAL INFORMATION

Kinderhook Industries does not require prepayment of management fees six months or more in advance or have any other events requiring disclosure under this item of the Brochure.

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF KINDERHOOK

Thomas L. Tuttle

Educational Background and Business Experience

Thomas L. Tuttle, born October 21, 1966, is a Managing Director at Kinderhook Industries. In 1995, prior to co-founding Kinderhook Industries, Tom joined Global Emerging Markets N.A., Inc. as a Director and founded GEM Investment Advisors, an investment advisory firm specializing in control private equity investing. Prior to GEM, Tom spent one year in Morgan Stanley's New York office as an analyst for chemical investment banking and then relocated to the Hong Kong office of Morgan Stanley where he managed the investment banking operations of Morgan Stanley in Indonesia. Tom graduated from Princeton University and the Woodrow Wilson School and received his MBA with Distinction from the Harvard Business School, where he was a Baker Scholar and Henry Ford II Scholar. He has relevant investment experience in chemicals, light manufacturing and retail service.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Tuttle.

Other Business Activities

Mr. Tuttle is not engaged in any investment-related business outside of his roles with Kinderhook and its affiliated investment advisers.

Additional Compensation

Mr. Tuttle does not receive any additional compensation that is required to be disclosed.

Supervision

As the co-founder and a Managing Director of Kinderhook, Mr. Tuttle is responsible for implementing and overseeing the investment strategy of the clients of Kinderhook. Mr. Tuttle is not subject to the supervision of any other individual other than Robert E. Michalik and Christian P. Michalik.

Robert E. Michalik

Educational Background and Business Experience

Robert E. Michalik, born December 23, 1968, is a Managing Director of Kinderhook Industries. Rob started his investment career as an analyst in the Merger and Acquisitions group at Morgan Stanley. Following Harvard Business School, Rob joined UBS Capital Corporation, the North American merchant bank of the Union Bank of Switzerland where he provided mezzanine and equity capital both as a lead investor and in partnership with other private equity firms. Prior to co-founding Kinderhook Industries, Rob was a Managing Director at Thayer Capital Partners, a middle market buyout fund with over \$1.2 billion of capital under management, where he sourced, financed and negotiated a number of investments. Rob was raised in Detroit, Michigan, graduated from Yale University and received his MBA with Distinction from Harvard Business School, where he was a Baker Scholar.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mr. Michalik.

Other Business Activities

Mr. Michalik is not engaged in any investment-related business outside of his roles with Kinderhook and its affiliated investment advisers. Although we do not believe that it is an investment related business, Mr. Michalik does act as an unpaid Director of Raleigh Cycle Limited, a private company in which Mr. Michalik owns approximately 1% of the equity.

Additional Compensation

Mr. Michalik does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of Kinderhook, Mr. Michalik is responsible for implementing and overseeing the investment strategy of the clients of Kinderhook. Mr. Michalik is not subject to the supervision of any other individual other than Thomas L. Tuttle and Christian P. Michalik.

Christian P. Michalik

Educational Background and Business Experience

Christian P. Michalik, born December 23, 1968, is a Managing Director at Kinderhook Industries. From 1999 through 2003, Chris was a partner at Soros Private Equity Partners, a multi-billion dollar leveraged buyout fund sponsored by George Soros. From 1996 to 1998, Chris was an investment manager with Capital Resource Partners, a middle-market growth mezzanine investment firm based in Boston, MA. Prior to Capital Resource Partners, Chris was an associate at Colony Capital, a real estate investment firm based in Los Angeles. Chris began his career as an M&A analyst at Salomon Brothers, Inc. Chris graduated Cum Laude from Yale University and received his MBA with Distinction from Harvard Business School.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Christian P. Michalik.

Other Business Activities

Mr. Michalik is not engaged in any investment-related business outside of his roles with Kinderhook and its affiliated investment advisers. Although we do not believe that it is an investment related business, Mr. Michalik does act as a paid Director of WellCare Health Plans, Inc. a public company listed on the New York Stock Exchange.

Additional Compensation

Mr. Michalik does not receive any additional compensation that is required to be disclosed. Mr. Michalik does receive Director fees associated with his position at WellCare Health Plans, Inc. of approximately \$250K per annum.

Supervision

As a Managing Director of Kinderhook, Mr. Michalik is responsible for implementing and overseeing the investment strategy of the clients of Kinderhook. Mr. Michalik is not subject to the supervision of any other individual other than Thomas L. Tuttle and Robert E. Michalik.

Paul G. Cifelli

Educational Background and Business Experience

Paul G. Cifelli, born July 19, 1972, is a Managing Director at Kinderhook Industries. In 2002, prior to joining Kinderhook Industries, Paul joined Global Emerging Markets N.A., as a Managing Director. Prior to Global Emerging Markets, Paul spent five years as an Associate, Vice President and eventually a Managing Director at Madison Investment Partners, LP, a New York based lower middle market private equity firm. Prior to Madison, Paul spent 3 years with Dean Witter Morgan Stanley as an analyst and associate in their Emerging Markets Asset Management Group. Paul graduated magna cum laude from the University of Notre Dame with a Bachelors of Business Administration degree in Finance. He has relevant experience in light manufacturing, life sciences, business services and restaurants.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Paul G. Cifelli.

Other Business Activities

Paul G. Cifelli is not engaged in any investment-related business outside of his roles with Kinderhook Industries and its affiliated investment advisers.

Additional Compensation

Paul G. Cifelli does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of Kinderhook, Paul G. Cifelli is responsible for advising on the investment strategy of clients of Kinderhook. Paul G. Cifelli is subject to the supervision of Thomas L. Tuttle, Robert E. Michalik and Christian P. Michalik.

Corwynne C. Carruthers

Educational Background and Business Experience

Corwynne C. Carruthers, born January 9, 1975, is a Managing Director at Kinderhook Industries. Cor joined Kinderhook Industries in 2003 as an associate. Prior to joining Kinderhook, Cor spent two years at Thayer Capital Partners in Washington DC as an associate. Prior to Thayer, Cor spent two years at Merrill Lynch in the New York office as an investment banking analyst in the Energy and Power Group. Cor graduated from Yale University. He has relevant investment experience in environmental services, light manufacturing and healthcare services.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Corwynne C. Carruthers.

Other Business Activities

Corwynne C. Carruthers is not engaged in any investment-related business outside of his roles with Kinderhook Industries and its affiliated investment advisers.

Additional Compensation

Corwynne C. Carruthers does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of Kinderhook, Corwynne C. Carruthers is responsible for advising on the investment strategy of clients of Kinderhook. Corwynne C. Carruthers is subject to the supervision of Thomas L. Tuttle, Robert E. Michalik and Christian P. Michalik.