

K-F Management Company, Inc.

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This brochure provides information about the qualifications and business practices of K-F Management Company, Inc. If you have any questions about the contents of this brochure, please contact us at 303-571-0100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about K-F Management Company, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

February 14, 2012

Item 2 – MATERIAL CHANGES

Not applicable.

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Item 4 – ADVISORY BUSINESS

K-F Management Company, Inc. has been sponsoring and managing private pooled investment vehicles and providing investment advice since 1994. K-F Management Company, Inc. is a privately-held Subchapter S Corporation, the principal owners of which are Thomas L. Kelly II and John W. Flanigan.

K-F Management Company, Inc. primarily conducts its advisory business under the name CHB Capital Partners, along with the following affiliates: K-F Capital II, LLC, K-F Capital III, LLC and Glenarm Management Co, Inc.. This brochure serves as the brochure for K-F Management Company, Inc. and its affiliates (collectively “CHB”).

CHB sponsors and manages private pooled investment vehicles and provides investment advisory services relating to equity and debt investments made through these investment vehicles. CHB provides investment advice primarily to private pooled investment vehicles. The investments of these investment vehicles are made in privately-held securities and are commonly referred to as “private equity” or “private debt” investments. CHB’s private equity investments focus primarily on closely held and family-owned businesses for purposes of ownership transition and growth. CHB’s private debt investments relate exclusively to businesses in which previous equity investments have been made. In addition, CHB’s clients include co-investors who invest in private equity or private debt investments alongside the above-described private pooled investment vehicles.

CHB currently manages and provides investment advice to the following the three private pooled investment vehicles:

CHB Capital Partners II, LP (“CHB II”)

CHB II is a \$39 million investment vehicle comprised of one limited partnership. CHB II invested on a side-by-side basis with International II on the same economic terms pro rata with the respective commitments made to the two partnerships by investors. The investment period for CHB II ended in 2004, except for additional investments relating to existing portfolio investments (referred to in this brochure as “follow-on” investments). K-F Capital II, LLC, an affiliate of K-F Management Company, Inc., is the general partner of the limited partnership comprising CHB II.

CHB International Partners II, LP (“International II”)

International II is a \$9 million investment vehicle comprised of one limited partnership. International II invested on a side-by-side basis with CHB II on the same economic terms pro rata with the respective commitments made to the two partnerships by investors. The investment period for International II ended in 2004, except for follow-on investments. K-F Capital II, LLC, an affiliate of K-F Management Company, Inc., is the general partner of the limited partnership comprising International II.

CHB Capital Partners III, LP (“CHB III”)

CHB III is a \$77 million investment vehicle comprised of one limited partnership. The investment period for CHB III ended in 2009, except for follow-on investments. K-F Capital III, LLC, an affiliate of K-F Management Company, Inc., is the general partner of the limited partnership that comprises CHB II.

Glenarm Management Company, Inc. (“Glenarm”), an affiliate of K-F Management Company, Inc., provides investment advisory services to CHB III. Glenarm is controlled by K-F Management Company, Inc. and relies upon the personnel and resources of K-F Management Company, Inc. to provide its investment advisory services to CHB III.

Investment Restrictions

CHB does not tailor its advisory services to the individual needs of its Clients. Each investment vehicle has specified investment objectives and restrictions, which are described in the private place memorandum of that investment vehicle. Clients may not impose restrictions on investing in certain equity or debt securities.

Wrap Fee Programs

Not Applicable.

Assets Under Management

As of December 31, 2011, CHB had total assets under management (including uncalled capital commitments) of approximately \$114 million, all of which was managed on a non-discretionary basis.

Item 5 – FEES AND COMPENSATION

Fee Schedules

CHB's fees are generally not negotiable. CHB is compensated for its advisory services as follows:

CHB II and International II (collectively "Fund II")

CHB II and International II (each a "Fund Client" or "Partnership") pay an annual management fee. During the commitment period, the management fee is 2% of the total commitments to the Fund Client. After the end of the commitment period, the management fee continues at the annual rate of 2%, but is calculated based on invested capital less capital returned to investors and as adjusted for any permanent write downs in the value of investments. During both the commitment period and the investment period, the management fees paid to CHB are reduced by an amount equal to 50% of the total management fees collected by CHB from the portfolio investments of the Fund Client since the Fund Client last paid its management fees to CHB.

In addition, the distributions of the Fund Client are allocated such that the general partner of the Fund Client is entitled to a carried interest in addition to its investment interests. The carried interest is equal to 20% of the distributions of each Fund Client. The carried interest is not paid to the general partner until a specified return is achieved by the partners of the Fund Client.

CHB III

CHB III (a "Fund Client" or "Partnership") pays an annual management fee. During the commitment period, the management fee is 2% of the total commitments to the Fund Client. After the end of the commitment period, the management fee continues at the annual rate of 2%, but is calculated based on invested capital less capital returned to investors and as adjusted for any permanent write downs in the value of investments. During both the commitment period and the investment period, the management fees paid to CHB are reduced by an amount equal to 50% of the total management fees collected by CHB from the portfolio investments of the Fund Client since the Fund Client last paid its management fees to CHB.

In addition, the profits of the Fund Client are allocated such that the general partner of the Fund Client is entitled to a carried interest in addition to its investment interests. The carried interest is equal to 20% of the profits of the Fund Client. The carried interest is not paid to the general partner until a specified return is achieved by the partners of the Fund Client.

Co-investors

Management fees and carried interest are not payable by 3rd-party co-investors who invest alongside Fund Clients in CHB's investment programs.

Calculation & Deduction of Advisory Fees

Management fees for all Fund Clients are billed quarterly in advance. In cases where a distribution is expected to be made concurrently with the payment of fees, such fees may be deducted from the funds expected to be distributed to the respective Fund Client.

Other Fees & Expenses

Each Fund Client reimburses CHB, in arrears, for the organizational and startup expenses of the limited partnership, including legal, travel, accounting, tax, filing and other organizational expenses up to an amount specified in the private placement memorandum. CHB bears the cost of all organizational expenses in excess of the specified amount, if any, and of any placement fees payable to any placement agent in connection with the formation of the Fund Client.

Each Fund Client reimburses CHB, in arrears, for other on-going costs and expenses of the Fund Client, including legal, consulting, accounting, tax, insurance, and other expenses, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund Client.

Fund Clients do not incur brokerage costs associated with the investments of the Fund Client.

Prepaid Fees

Fund Clients are required to pay management fees quarterly in advance. Fund Clients do not receive a refund of fees paid and are not permitted to terminate their commitments or withdraw from the Fund Client. Co-investors are not required to pay any prepaid fees.

Compensation for the Sale of Securities

Not applicable.

Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The general partner of each Fund Client receives a percentage of the distributions of the Fund Client as described in the following table:

Fund Client	Performance Fee
CHB II	20% of total cumulative distributions
International II	20% of total cumulative distributions
CHB III	20% of total cumulative profits distributed

Carried interest is payable to the general partner of each Fund Client, but is not paid until a specified return is achieved by the partners of the Fund Client. Co-investors do not pay fees, performance-based or otherwise.

Performance-based fees may create certain conflicts of interest for advisers. An adviser may have an incentive to subject accounts with performance-based fees to greater risk, or to favor accounts with a performance-based fee. CHB's use of a minimum preferred return with respect to its Fund Clients creates an incentive to balance risk and reward potential, as any losses by Fund Clients will need to be regained before performance-based fees are received by the general partner. In addition, CHB is not subject to the typical conflicts of interest associated with side-by-side management of performance fee-based and non-performance fee-based accounts, because CHB discloses to co-investor clients that investment opportunities will be allocated first to Fund Clients.

Item 7 – TYPES OF CLIENTS

CHB's clients consist primarily of private pooled investment vehicles (referred to in this brochure as "Fund Clients"). The investors in CHB's Fund Clients include high net worth individuals and family groups, corporations, charitable organizations, trusts, limited partnerships, general partners, university endowments and limited liability companies. In addition to its Fund Clients, CHB also provides advisory services on a non-fee basis to certain co-investors.

Fund II did not have a stated minimum commitment for either Fund Client that comprised the investment vehicle. CHB III had a stated minimum commitment of \$1 million for investors. The general partner of CHB III reserved the right, in its sole discretion, to reduce the minimum capital commitment to CHB III for selected investors.

Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

CHB seeks to ensure that the investment periods for each of its Fund Clients do not overlap, except with regards to follow-on investments. CHB invests pursuant to the investment focus of the Fund Client for which it is currently making investments.

An investment in a Fund Client of CHB involves substantial risks, including the possibility of partial or total loss of capital. Prospective investors in a Fund Client of CHB should not make an investment unless they can readily bear the consequences of a complete loss of their investment.

The following provides an overview of the key investment strategies used by CHB in making investments on behalf of Fund Clients of CHB. CHB may use some or all of these strategies, and reserves the right to depart from or modify these strategies consistent with the interests of CHB's Fund Clients.

CHB typically focuses on investing in companies in the smaller, middle market - defined as businesses with annual revenues of \$10 million to \$100 million and annual EBITDA of \$2 million to \$10 million. This a large market that CHB believes is underserved by investment intermediaries, and is comprised of companies with high potential for performance improvement. CHB seeks to invest in owner-led recapitalizations, management-led buyouts and growth financings for businesses that meet the following criteria:

- established business with sufficient infrastructure to support growth;
- annual revenues in excess of \$10 million;
- EBITDA in excess of \$2 million.

CHB endeavors to invest alongside management teams that have made a significant ownership commitment to their business, and does not provide substantial liquidity to active management teams. This strategy is designed to achieve alignment of its Fund Client's interests with the management team of a prospective investment. CHB will generally invest in companies across the manufacturing, distribution and service sectors that possess the potential for above-average industry growth and can benefit from CHB's experience and relationships. CHB will generally avoid businesses where management does not control the majority of the elements that drive success. CHB will obtain controlling interests in portfolio companies for its Fund Clients or, in certain circumstances, significant contractually protected minority positions in portfolio companies.

The following outlines CHB's approach to the five critical steps in the investment process.

1. Sourcing of new investments

CHB has developed an extensive network of regional and local financial intermediaries. While covering the entire United States, CHB has focused on building its network in

regions with significant numbers of smaller, middle market companies and relatively fewer available private equity capital sources. CHB also seeks to maintain relationships with several hundred family business advisors, attorneys, and financial consultants. Very few of these potential deal sources have the resources and the motivation to market nationally the opportunities they represent.

2. Competing for new investments

Virtually all attractive investment opportunities, regardless of size, are marketed to more than one potential equity capital provider. CHB, in general, does not participate in auctions. CHB participates in opportunities wherein ongoing management and non-selling shareholders are involved in choosing a private equity partner with the ability to positively impact future financial performance of the business. CHB begins building its relationship with management teams early in the process by demonstrating its ability to create value by structuring the discussion around our investment hypothesis. Later in the process, CHB introduces the prospective management partners to the CEOs of the Fund Client's Portfolio Companies to allow these potential partners to learn directly about CHB's approach to, working relationship with and success in working alongside management teams. CHB's ability to secure the necessary third-party financing required to close the investment is also critical. CHB seeks to maintain strong relationships with active credit sources and can address prospective management partners' concerns about securing the total financing required to close the investment.

3. Evaluating new investments

CHB has developed a rigorous, due diligence process that seeks to (i) identify the risks and opportunities associated with a potential investment and (ii) determine whether management has plans in place to address them effectively. The process begins with the development of an investment hypothesis that guides the work planning process. Following development of the investment hypothesis, the process encompasses the following steps:

- CHB builds a fact base around the business opportunity by analyzing its historical performance, assessing internal capabilities, researching market trends and the competitive environment and comparing the company's performance to external benchmarks.
- CHB disaggregates management's projections into their key drivers and places them in the context of the fact base to identify opportunities and risks.
- CHB works with management to plan actions to address identified opportunities and risks.
- CHB works with management to set priorities for the initial three to six to twelve months of the investment.

- CHB works with management to set priorities for the initial three to six to twelve months of the investment.
- CHB conducts a legal and accounting review s with the assistance of outside lawyers and consulting firms as necessary.

In structuring investments, CHB seeks to align incentives of the management team with its Fund Clients, while retaining sufficient flexibility to address special needs. CHB most often seeks a control position that is acquired through the purchase of equity, as well as raising a combination of third-party senior debt, subordinated notes and/or seller financing. In the case of minority investments, CHB will contractually safeguard its position through a variety of methods, including board representation, voting rights triggers and unanimous (or supermajority) consent provisions.

4. Building the value of investments

CHB and management agree, during due diligence, on a set of priorities for the business. Most often these focus initially on taking steps to ensure that the business' infrastructure is sufficiently robust to support growth. Subsequently, we work with management teams on productivity improvement and growth initiatives. The experience of the Principals of CHB in much larger, more complex corporate environments can quickly be brought to bear on these opportunities, with significant potential benefit for the company. When the resource requirement does not match well with those available through CHB, CHB is able to access a large network of relationships with third parties.

5. Exiting an Investment

Before closing a new investment, CHB, management and any non-management shareholders have discussed possible exit alternatives and agreed, preliminarily, on the type of exit that would best fit the needs of all shareholders. Potential exit mechanisms include: sale of the entire company to a third party (either a strategic or financial buyer), sale of the Partnership's interest back to the company on pre-agreed terms, or, in rare cases, an initial public offering. CHB believes that disciplined, successful execution of the business' strategy creates the performance required to have the opportunity to exit a business profitably, while market conditions can significantly influence the timing of the exit.

Material Risks

All investing involves risk of loss. There can be no assurance that any investment, investment program or portfolio will achieve its stated objectives.

CHB recommends investments in equity and debt securities thru private pooled investment vehicles. The following includes a description of certain material risks for the equity and debt investments made by the private pooled investment vehicles that CHB currently sponsors or manages and for which it provides investment advice. This description is not a complete

explanation of the risks associated with these investment strategies or the risks involved in investments made by CHB for Fund Clients.

General Risks Applicable to All Fund Clients

Market Risks. Projected operating results for each company in which the partnership invests will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections. In any given investment, total loss of invested capital is possible. There is no assurance that investments will achieve results similar to those attained by previous investments of CHB.

Limited Number of Investments. CHB will participate in a limited number of investments and, as a consequence, aggregate returns may be substantially affected by the performance of a single investment. Furthermore, to the extent that the capital raised is less than the targeted amount, CHB may invest in fewer portfolio companies, thus becoming even less diversified. An investment in the partnership is suitable only for an investor that does not need liquidity in the investment, can accept volatility in the investment and can sustain the total loss of an investment in the partnership.

Risk of Private Equity Investments. While private equity investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and service capabilities, and a larger number of qualified managerial and technical personnel. In addition, private debt investments are subject to additional risks, such as general fluctuations in interest rates, prepayment of fixed-rate debt instruments and subordination of private debt investments to senior indebtedness of the issuer.

General Economic Conditions. General economic conditions may affect CHB's activities. Interest rates, general levels of economic activity, the price of securities and the participation by other investors in the financial markets may affect the value of CHB's investments or companies considered for prospective investment.

PORTFOLIO COMPANY RISKS

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Partnership 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 partnership will make follow-on investments or that the partnership will have sufficient funds to make all or any of such investments. Any decision by the partnership not to make

follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment or may result in a lost opportunity for the partnership to increase its participation in a successful enterprise.

Projections. Projected operating results of a portfolio company in which the partnership invests normally will be based primarily on financial projections prepared by each portfolio company's management. In all cases, projections are only estimates of future results, which are based upon 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.

Leverage; Junior Interests. The partnership will invest in companies whose capital structures may be highly leveraged. The securities in which the partnership will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss.

Risks Upon Disposition of Investments. In connection with the disposition of an investment in a portfolio company, the partnership may be required to make representations about the business and financial affairs of the portfolio company, typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The partnership may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate, or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the limited partners.

PARTNERSHIP RISKS

Illiquid and Long-Term Investments; Limited Cash Flow. An investment in the partnership requires a long-term commitment, with no certainty of return. There most likely will be little or no near-term cash flow available to partners. The partnership's investments will be highly illiquid, and there can be no assurance that the partnership will be able to realize on such investments in a timely manner, if at all. It is uncertain as to when profits, if any, will be realized. Distributions in-kind of illiquid securities to the partners may be made. Although certain investments by the partnership may generate current income available for distribution to limited partners, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, this will typically occur three to seven years after the investment is made. Before that time, there often will be no current return on partnership investments. Furthermore, the expenses of operating the partnership may exceed its current income, thereby requiring that the difference be paid from the partnership's capital.

Availability of Suitable Investment Opportunities. It is possible that the partnership 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 annual the management fee based on the entire amount of their commitments during the investment period.

Competition. The partnership will be competing with other funds for investment opportunities, as well as with individuals, corporations, and others engaged in investment activities, many of which have been in business for a significant period of time and have greater management and financial resources than the general partner. This may make it more difficult for the partnership to obtain a sufficient number of investments on satisfactory terms. Funds with a focus similar to that of the partnership might also emerge at any time. There can be no assurance that the partnership will be able to locate and consummate investments that satisfy the partnership's objectives or realize upon their values or that the partnership will be able to invest fully the partnership's committed capital.

Penalties Upon Default. A limited partner's failure to fund its commitments in accordance with the partnership agreement will result in a reduction of such limited partner's interest in the partnership and may preclude such limited partner from investing further in the partnership.

Net Proceeds Not Shared in Proportion to Contributed Capital. The capital contributions of the general partners will represent only a small portion of the partnership's capital. Limited partners will invest greater amounts and may receive a proportionately smaller amount of any net proceeds of the partnership than the general partner.

Indemnification. The general partner, its members, and employees will be entitled to indemnification from the partnership, except in certain circumstances. The assets of the partnership will be available to satisfy these indemnification obligations, and the partners may be required to return distributions to satisfy such obligations. Such obligations will survive the dissolution of the partnership.

Reliance on Principals. The limited partners will not participate in the management of the partnership or make any decision with regard to investments made by the partnership. The general partner will make decisions with respect to the management of the partnership, which is, in turn, controlled by the principals of CHB. The success of the partnership is dependent upon the principals to identify, consummate, and manage suitable investments. Additionally, to the extent that neither the general partner nor CHB has primary responsibility for the operations of a portfolio company on a day-to-day basis, the performance of the portfolio company will be dependent on the management team selected by the portfolio company. None of the principals is contractually bound to the general partner, and the loss of the service of one or more of the principals could have an adverse impact on the partnership's ability to realize its investment objectives. Limited partners will have no opportunity to control the day-to-day investment and disposition decisions of the partnership.

Diverse Limited Partner Group. The limited partners may have conflicting investment, tax, and other interests with respect to their investments in the partnership. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by the partnership, the structuring or the acquisition of investments, and the timing of disposition of investments. In structuring the partnership's investments, the general partner will consider the tax, legal, and other objectives of the partnership as an entity and not the objectives of any individual limited partner or group of limited partners.

Risk Arising From Provision of Managerial Assistance. The general partner is obligated to use its best efforts to structure the partnership's investments so that the partnership will qualify as a venture capital operating company, or VCOC, within the meaning of regulations promulgated under ERISA. This requires that the partnership obtain rights to participate substantially in and to influence substantially the conduct of the management of the majority (valued at cost) of the partnership's portfolio companies. The designation of representatives and other measures contemplated could include claims that the partnership is a controlling person and thus is liable for securities laws violations of a portfolio company. These measures also could result in certain liabilities in the event of the bankruptcy or reorganization of a portfolio company; could result in claims against the partnership if the designated directors violate their fiduciary or other duties to a portfolio company or fail to exercise appropriate levels of care under applicable corporate or securities laws, environmental laws, or other legal principles; and could expose the partnership to claims that it has interfered in management to the detriment of a portfolio company. While the general partner intends to manage the partnership in a way that will minimize the exposure to these risks, the possibility of successful claims cannot be precluded, and may expose the assets of the partnership to claims by a portfolio company, its securities holders, and its creditors.

No Market for Interests; Restrictions on Transferability; No Withdrawal Rights. Interests will not be readily marketable, are not redeemable and are not transferable except with the consent of the general partner, which may be withheld at the sole discretion of the general partner. In general, limited partners may not withdraw from the partnership. There will be no public market for the partner interests, and none is expected to develop. Most of the partnership's investments will be difficult to value. The partner interests have not been registered under the Securities Act or the securities laws of any state or other jurisdiction, and cannot be resold unless they are subsequently registered under the Securities Act and applicable securities laws or an exemption from registration are available.

Potential Conflicts. The general partner and CHB may, from time to time, be presented with opportunities that fall within the investment objectives of the partnership and (i) in which the partnership may not be able to invest due to legal, regulatory, contractual, or other restrictions applicable to the partnership or (ii) in which the general partner would cause the partnership not to invest because it might require the partnership or another investment partnership of CHB to divest of some of its assets. In certain instances, these conflicts may have an adverse effect on the partnership and its ability to achieve its investment objectives. Although the partnership intends to form an advisory board to deal with, among other things, potential conflicts of interest involving members of the general partner, the advisory board may only mitigate certain of the effects of such conflicts, and will not, under any circumstances, eliminate such conflicts. CHB intends to devote sufficient time to enable the partnership to carry out its intended purposes, but investors should be aware that CHB has other investment partnerships whose activities require them to devote time and effort, including those outlined in this Brochure, and the Advisor is not restricted from involvement in other businesses and not-for-profit activities.

RISKS APPLICABLE TO CO-INVESTOR CLIENTS

Non-Discretionary Management Risk. In addition to the general risks and portfolio company risks applicable to all CHB clients, co-investor clients are subject to additional risks arising from the fact that they may select the portfolio companies in which they will invest. Because CHB will not have discretionary authority with respect to the co-investors, and because a co-investor's portfolio may differ from the portfolio of a Fund Client, the returns obtained by CHB for a Fund Client will be different from the returns obtained for a co-investor client.

LEGAL RISKS

Liability of Limited Partners. The partnership is organized as a Delaware limited partnership. A limited partner will not be personally liable for the debts of the partnership, except as provided in the partnership agreement and except that, in the event that the partnership is otherwise unable to meet its obligations, each limited partner may, under Delaware law, be obligated to repay amounts previously received by such limited partner to the extent that such amounts are deemed to have been wrongfully distributed to such limited partner.

The Revised Uniform Limited Partnership Act ("RULPA") provides that, if a limited partner of a Delaware limited partnership knowingly receives a distribution from a partnership in violation of such statute, such limited partner is liable to the partnership for the amount of the distribution. The liability of a limited partner continues for three years after the date of the distribution. A distribution would violate RULPA to the extent that, at the time of the distribution by the partnership, after giving effect to the distribution, the liabilities of the partnership, other than liabilities to limited partners on account of their interests and liabilities for which the recourse of creditors is limited to specified property of the partnership, exceed the fair value of the assets of the partnership (except that the fair value of property that is subject to a liability for which the recourse of creditors is limited is included in the assets of the partnership only to the extent that the fair value of the property exceeds the liability). See also "Risks Upon Disposition of Investments" above.

Fiduciary Obligations. Corporate law dictates that board members have a fiduciary responsibility to all shareholders of the company, and not just the shareholders that the individual director represents. As the partnership may be deemed to control portfolio companies, and, as directors of portfolio companies may be nominated and elected by the partnership, the partnership may be deemed a fiduciary with respect to such portfolio companies and their shareholders as a whole, and, therefore, the partnership's ability to act solely in its own interest with respect to such portfolio companies may be limited.

Changes in Applicable Law and Regulations. The partnership must comply with various legal requirements, including requirements imposed by the federal and state securities laws, tax laws, and pension laws. Should any of those laws change over the term of the partnership, the legal requirements to which the partnership and the limited partners may be subject could differ materially from current requirements. The partnership expects to make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities, and counties in which they operate. New and existing regulations, changing regulatory schemes, and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio

companies that operate in these industries. The general partner cannot predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can it predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the partnership's investment performance.

Item 9 – DISCIPLINARY INFORMATION

Not applicable.

Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related persons of CHB serve as members of the general partner of each of the limited partnerships that comprise the private pooled investment vehicles that CHB advises.

Item 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

K-F Management Company, Inc. has adopted a Code of Ethics (the “Code”) to help ensure that its personnel and the personnel of its affiliates (K-F Capital II, LLC, K-F Capital III, LLC and Glenarm Management Co, Inc) comply with all applicable federal securities laws and with the fiduciary duties and anti-fraud rules to which they are subject. The Code is based on the principle that CHB and its personnel owe a fiduciary duty to the Funds and the Participants in the investment programs. The Code requires CHB’s personnel to act in good faith and in the best interest of Fund Clients, to conduct themselves ethically so as to avoid any actual or potential conflict of interest and to promptly report violations of the Code. CHB will provide a copy of the Code to Fund Clients and prospective Fund Clients upon request.

CHB does not invest for its own account in securities. In addition, CHB requires all employees to obtain the prior approval of CHB for all personal securities transactions in covered securities. Due to the privately-held nature of securities in which CHB invests on behalf of Fund Clients, employees of CHB are not able to purchase or sell securities in which CHB has invested or which are under active consideration for investment or divestiture by CHB. Employees of CHB and its affiliates invest alongside CHB’s Fund Clients but do not pay management and or carried interest fees.

Item 12 – BROKERAGE PRACTICES

Not applicable.

Item 13 – REVIEW OF ACCOUNTS

CHB periodically reviews all investments. The investment professional responsible for each portfolio company prepares a quarterly report on the portfolio company that includes operating performance, capital structure, prospects and material developments. Each portfolio company report is reviewed by CHB senior management. CHB also prepares a quarterly valuation for each portfolio company that is reviewed by CHB's Advisory Board.

The quarterly reports for a Partnership (for the quarters ended March 31, June 30, September 30 and December 31) include the portfolio company report, the updated valuation information, and unaudited financial statements prepared on a GAAP basis for the Partnership that reflect the updated portfolio company valuations. Each investor in each Partnership receives a quarterly report for the partnership, which report includes a capital account statement for the investor. In addition, each co-investor receives a quarterly portfolio company report for each of their portfolio company investments.

The annual reports for a Partnership include audited annual financial statements and Form K-1s. Each investor in each Partnership receives an annual report for the Partnership.

Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION

CHB has agreed to pay certain unaffiliated persons a cash fee for referral of investors in certain Fund Clients. These arrangements generally provide for the reimbursement of expenses incurred by a placement agent or a success fee that is based on the commitment or investment made in the Fund Client by the referred investor.

Item 15 – CUSTODY

Not Applicable.

CHB has custody of Fund Client securities and cash. CHB provides copies of audited financial statements to all investors in Fund Clients within 120 days of the Partnership's year-end. CHB does not have access to or authority over co-investor clients' cash or securities, and does not charge any fees to such clients, except to the extent that a co-investor is also an investor in a fund client.

Item 16 – INVESTMENT DISCRETION

Not applicable.

CHB makes all investment decisions for its Fund Clients, and the scope of CHB's discretionary authority is set forth in each Partnership's Limited Partnership Agreement. Fund Clients typically may not impose restrictions on investments.

CHB does not have investment discretion for co-investor client portfolios.

Item 17 – VOTING CLIENT SECURITIES

Not applicable.

The general partner of each Partnership retains voting authority on behalf of the Partnership for all of the investments of the Partnership.

Each co-investor client retains voting authority with respect to the securities of portfolio companies in which the co-investor client invests.

Item 18 – FINANCIAL INFORMATION

Not applicable.