

Item 1. Cover Page

Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Kainos (TX) Capital, LLC. If you have any questions about the contents of this brochure, please contact William G. Neisel at 214-740-7350. 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 us is available on the SEC's website at www.adviserinfo.sec.gov.

We refer to ourselves as a “registered investment adviser”. Registration does not imply a certain level of skill or training.

Item 2. Material Changes

This Brochure, dated March 25, 2014, serves as an update to Kainos' Brochure dated August 21, 2013 (the "Prior Brochure"). This Brochure contains routine annual updates to the Prior Brochure, as well as certain other updates, including those regarding risk factors, payments of fees and expenses by advisory clients and portfolio companies, and conflicts of interest.

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Item 4. Advisory Business

Kainos (TX) Capital, LLC (“Kainos,” “us,” “we,” and “our”), based in Dallas, Texas, was formed as a Delaware limited liability company in May 2011. Kainos, together (where the context permits) with its affiliates, manages private equity funds that make primarily control investments in food and consumer product companies located in North America. Such affiliates may or may not be under common control with Kainos, but possess a substantial identity of personnel and/or equity owners with Kainos. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below), or may serve as general partners of the Funds.

Kainos is currently owned and managed by its three partners: Andrew S. Rosen (Managing Partner); Robert W. Sperry; and Sarah A. Bradley (our “Partners”) and advised by non-executive chairman, John R. Muse.

We provide discretionary investment advice solely to private equity funds. Such funds generally seek substantial long-term capital appreciation by making privately negotiated equity investments in lower to middle-market sized food and consumer product companies primarily headquartered in North America. We seek to invest in buyouts and recapitalizations of privately-held companies and non-core subsidiaries of larger companies, as well as in companies requiring growth capital. We may also invest in control situations or exercise influence over a company’s management and strategic direction. The private equity funds are referred to in this brochure as the “Funds”. Investors in the Funds are referred to in this brochure as “investors” or “limited partners.” Kainos may serve as the investment adviser or general partner to the Funds in order to provide such advisory services.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the advisory agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund and/or side letter agreements negotiated with investors in the applicable Fund.

Wrap Fee Programs

We do not participate in wrap fee programs.

Assets Under Management

As of December 31, 2013, we managed \$1.076 billion of client assets on a discretionary basis. This includes the committed capital that may be called by the Funds from their respective limited partners. We do not manage client assets on a non-discretionary basis.

Item 5. Fees and Compensation

Management Fees

The Funds generally pay us a semi-annual management fee (payable quarterly) in exchange for our investment management services. Such management fees are (i) negotiated during the offering process; (ii) described in a Fund's offering memorandum; and (iii) provided for in a Fund's limited partnership agreement. Management fees paid by a Fund are indirectly borne by investors in such Fund.

As further described below, management fees may be reduced (but not below the greater of zero or the amount of placement agent fees, if any, due by a Fund) to the extent additional fees are collected by us from the portfolio companies owned by the Fund. The management fees are generally paid in quarterly installments, on or after each of January 1, April 1, July 1 and October 1, for the respective quarterly periods beginning on such dates. The calculations of the management fees are more fully described in the Funds' offering memorandums and limited partnership agreements. The management fees and other fees and distributions described above are generally subject to waiver or reduction by Kainos in its sole discretion, both voluntarily and on a negotiated basis with selected investors. The fee structures described above may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

We deduct management fees from the account of the Funds.

Other Fees

We may receive monitoring, directors', consulting and other similar fees and financing or other transaction fees in connection with the activities of the Funds ("Other Fees"). In addition, we may be reimbursed by the Funds' portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees (including without limitation travel expenses, which may include expenses for chartered or first class travel); such reimbursed expenses are generally not included in the definition of "Other Fees" under the terms of the applicable organizational documents, and such reimbursements are not subject to the sharing arrangements described below. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below. The monitoring, directors', consulting and other similar fees that we receive with respect to a portfolio investment are generally determined with reference to a Monitoring and Oversight Agreement with the portfolio company and are typically agreed to at the closing of a Fund's investment in the portfolio

company. The financing or other transaction fees that we receive with respect to a portfolio investment are generally determined with reference to a Financial Advisory Agreement with the portfolio company and are typically agreed to at the closing of a Fund's investment in the portfolio company. Additional fees may be due upon the early termination of a Monitoring and Oversight Agreement or Financial Advisory Agreement.

In general and as more fully described in a Fund's offering memorandum and limited partnership agreement, the management fee that a Fund pays us may be reduced (but not below the greater of zero or the amount of placement agent fees due by the Fund) by a portion of the Other Fees, if any, to be received by us in connection with the activities of a Fund. As some Funds do not pay management fees, any such reduction will not benefit such Funds.

Each Fund typically pays all costs and expenses relating to its operations, including, but not limited to: organizational and offering costs of the Fund; legal, auditing, consulting and accounting fees and expenses (which may include third party expenses associated with gathering information for and preparing Form PF); expenses of third party administrators and custodians; expenses of meetings of its advisory committee and of or with its limited partners; insurance, indemnification and other expenses associated with the acquisition, holding and disposition of proposed or actual portfolio investments; all extraordinary expenses, such as litigation; interest on and fees and expenses arising out of all permitted borrowings made by the Fund; all third-party expenses relating to unconsummated transactions; all expenses of liquidating the Fund; expenses related to third-party valuation agents; and any taxes, fees or other government charges levied against the Fund and expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund.

From time to time, Kainos may (in its sole discretion), agree to pay a transaction or other fee received from an actual or prospective portfolio company to a third party ("Third Party Fee"), such as a consultant, advisor, finder, broker and/or investment bank. In such event, the Third Party Fee is not a fee that Kainos is entitled to retain and therefore, Kainos is not required under the terms of the applicable organizational documents to share such Third Party Fee with the Funds.

Kainos and its affiliates also engage and retain advisers, consultants, and other similar professionals who are not employees or affiliates of Kainos and who may, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such amounts will not be deemed paid to or received by Kainos and its affiliates and such amounts will not be subject to the sharing arrangements described above.

Neither we nor any of our "supervised persons" accepts compensation for the sale of securities or other investment products.

The management fees paid by a Fund may generally be reduced by the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and

sale of interests in such Fund to certain potential investors, as well as by fees incurred by Kainos in connection with the organization of such Fund that exceed a limit specified in such Fund's limited partnership agreement or analogous organizational documents. As some Funds do not pay management fees, any such reduction will not benefit such Funds. In addition, the Adviser may waive or reduce all or a portion of the management fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees and affiliates of the Adviser to invest in and alongside such Fund.

Additionally, please see Item 6 below regarding "Carried Interest" that Funds may pay.

Although Kainos does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

The general partners of the Funds (our affiliates) are generally entitled to a "carried interest" on the Funds' profits ("Carried Interest") in accordance with the provisions of the Funds' limited partnership agreements. Carried Interest paid by a Fund is indirectly borne by investors in such Fund.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) may create an incentive for Kainos to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the organizational documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of Kainos to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements.

Please also see Item 11 below for additional information regarding trade allocation and how conflicts of interests are generally addressed by Kainos.

Item 7. Types of Clients

We provide discretionary investment advice solely to private equity funds. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund.

Kainos does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in

its sole discretion permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

Investment Strategies and Methods of Analysis

We generally seek investment opportunities in buyouts and recapitalizations of privately-held companies and non-core subsidiaries of larger companies, as well as in other companies requiring growth capital, primarily headquartered in North America in the food and consumer products sector.

We expect to focus on investing in manufacturers and marketers of food products, as well as other consumer product businesses in the household and personal care products, and over-the-counter health and nutritional products sectors. The majority of our investments are expected to comprise control positions in family-owned businesses or businesses controlled by smaller investment firms where the business has grown to such a point that it outstrips the resources and capabilities of those families or firms. In addition, dialogues with the larger food and consumer companies who are evaluating their portfolios for possible divestitures generally provide potential investment opportunities.

We generally seek profitable, growing, middle-market companies with EBITDA between \$20 and \$50 million, where we can invest, on average, between \$30 to \$75 million of equity per transaction, and offer co-investment opportunities to the limited partners as well as other third party investors.

Our investment strategy does not include short selling and frequent trading.

Change Capital and Risk Management - As part of the underwriting process for investments, we seek to identify initiatives that can be implemented to increase the sales and profitability of each company as well as make the business more strategically relevant, such that upon exit of the investment it will be more attractive to trade buyers or the public equity markets. These initiatives may include replacing or supplementing the existing management team, expanding the manufacturing and sales capabilities to fully capitalize on market opportunities, increasing the efficiency and profitability by eliminating wasteful spending as well as implementing cost reduction techniques such as lean manufacturing, developing new products and sales channels to grow revenues, and looking at complementary acquisitions that leverage the core infrastructure of the business or expand its product capabilities.

Key elements of our risk management process include (i) control investing, (ii) purchase price discipline, (iii) prudent use of leverage, and (iv) exit management. It is anticipated that the majority of investments will be in control positions as opposed to minority stakes. Purchase price discipline begins with the due diligence and underwriting of each investment opportunity and a disciplined approach to purchase price multiples. We do not intend to seek to maximize the total leverage in each investment, but will instead

endeavor to appropriately apply leverage that is not expected to unduly burden the resources of the business nor hinder the ability to implement identified initiatives. We endeavor to work closely with company management to identify and execute value-added initiatives and projects that can be implemented within the relevant investment time horizon, with an exit strategy that coincides with the completion of the strategies employed with each particular investment.

Company Characteristics - We expect to invest as a control investor in the food and consumer products sectors, where we have experience and expertise. We seek to invest in companies with growth prospects supported by enduring trends, such as convenience and balanced nutrition, and avoid fads that lack a track record of sustainability. We look for companies that have high quality and great tasting products, as these are product attributes that consumers are typically unwilling to compromise on, despite what health or cost benefits they may perceive. Additional attributes of companies that we seek include:

- On-trend with evolving consumer preferences;
- Attractive category dynamics;
- Leading position in the categories they serve;
- Culture of innovation;
- Sufficient scale to be a low cost producer and distribute products on a national scale;
- Ability to act as a platform for future acquisition opportunities; and
- Undermanaged or underappreciated element that can be exploited with the ability to be strategically relevant upon exit to a trade buyer or the public markets.

Ongoing Evaluation of Strategy and Exit Opportunities

Decisions regarding exit timing and methods will be based principally on expectations regarding a portfolio company's future operations, industry trends, and capital market conditions. An exit may be appropriate if: (i) the operating strategy has been largely completed, (ii) the objectives outlined in the operating strategy are no longer relevant, or (iii) the markets are willing to pay a premium multiple for the company.

Risk Factors

Private equity investing involves significant risks that the Funds and their investors should be prepared to bear. Also, investing in the Funds involve significant risks relating both to the types of investments contemplated and our ability to achieve the investment objectives. The discussion below of risks associated with private equity investments does not purport to be an exhaustive list of all risks associated with an investment in the Funds. Applicable risk factors, including potential conflicts of interest, are more fully described in the Funds' offering memorandums or subscription documents.

Risk of Loss of Capital. Investing in securities involves the risk of loss of capital. While we believe that our investment processes, strategy and research techniques mitigate the investment risk through a careful selection of investment opportunities, no guarantee or representation is made that we will achieve the Funds' investment objectives or that we will be successful.

Leverage. Certain of the Funds' portfolio investments may include portfolio companies whose capital structures have significant leverage. Due to such leverage, such portfolio companies may be more sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If for any of these reasons a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, meet financial or other covenants required by such indebtedness, or make regular dividend payments, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. Moreover, the Funds may invest in securities that are not protected by financial covenants or limitations on additional indebtedness.

Investments in Food and Consumer Sectors. All or a significant portion of the Funds' portfolio companies may be in the food and consumer sectors. Such concentration may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The food and consumer sectors are challenged by factors including, but not limited to, rapidly changing market conditions and/or participants, and new competing products and/or improvements in existing products. The Funds' portfolio companies will compete in this volatile environment. There is no assurance that products sold by portfolio companies will not be rendered obsolete or adversely affected by competing products or other challenges. Instability, fluctuation or an overall decline within the food and consumer sectors will likely not be balanced by investments in other industries not so affected. In the event that the overall food and/or consumer sectors decline, returns to limited partners may decrease. In addition, domestic and international regulation can dramatically affect the business environment faced by new, emerging, and established businesses. Such regulatory actions could have a material adverse effect on a market or a company in which the Funds may have invested and could cause the Funds to incur substantial or total losses of their investments.

Investing in Growth Businesses. The Funds intend to invest in growth companies often characterized by short operating histories, evolving markets, intense competition and management teams that have limited experience working together. Such a company may need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies and systems to become and remain successful. The Funds' returns will depend upon our ability to find and invest in companies that can successfully combine these strategies and systems where products and markets are constantly evolving. There can be no assurance that a Fund will find and invest in a sufficient number of these companies to meet investor return expectations.

General Economic Conditions. General economic conditions may affect the Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of portfolio investments made by the Funds or considered for prospective investment. No assurance can be given that any favorable economic conditions will arise or continue or that the market for portfolio investments will be stable, grow or improve, since this will depend on events and factors outside the control of the general partner. The value of portfolio investments may fluctuate in accordance with changes in the financial condition of portfolio companies and other factors that affect the markets in which the Funds invest. Economic slowdowns or downturns could lead to financial losses in the Funds' portfolio securities and net assets. In addition, many portfolio companies may be similarly subject to the same economic conditions, which could adversely impact the Funds' returns.

Market Dislocations. In recent years, events in the financial markets have caused significant dislocations, illiquidity and volatility in the wider global economy and given rise to an environment of extraordinary uncertainty and instability. To the extent that such marketplace events continue, reoccur (or even worsen), this may have an adverse impact on the availability of credit to businesses generally and could lead to a further overall weakening of the U.S. and global economies. While the general partner expects that the current industry environment will yield attractive investment opportunities for the Funds, there can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Funds' portfolio companies, the Funds' access to capital or leverage or their overall performance. Any such conditions or further economic downturn could adversely affect the financial resources of portfolio companies in which the Funds have invested and result in the inability of such portfolio companies to make principal and interest payments on, meet financial or other covenants required by, or refinance, such outstanding debt. In the event of such defaults, the Funds may suffer a partial or total loss of capital invested in such portfolio companies, which would, in turn, have adverse effects on the Funds' returns. Such marketplace events also may restrict the ability of the Funds to sell or liquidate portfolio investments at favorable times or for favorable prices. Additionally, the Funds may be required to pay break-up, termination or other fees or expenses even if the Funds are willing to close on investments if they ultimately do not close on such investments due to any such adverse conditions.

Illiquid and Long-Term Investments. Although portfolio investments may generate current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will most likely occur only upon the partial or complete disposition of such portfolio investment. While a portfolio investment may be sold at any time, it is generally expected that the dispositions of most of the Funds' portfolio investments will not occur for a number of years after such portfolio investments are made. There may not be a public market for the securities held by the Funds at the time of acquisition. The Funds generally will not be able to sell their securities publicly unless the sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases, the Funds may

be prohibited or limited by contract from selling certain securities for a period of time and, as a result, may not be permitted to sell a portfolio investment at a time it might otherwise desire to do so.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing on attractive portfolio investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to identify and complete portfolio investments that satisfy its investment objectives, realize the value of such portfolio investments, or fully invest its commitments. Nevertheless, as more fully described in each Fund's offering memorandum and limited partnership agreement, each Fund may be required to pay management fees based on aggregate commitments during such Fund's investment period. The Funds will be competing for investment opportunities against various other groups, including industry participants and other investment firms.

Portfolio Company Management Risks. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. Although we expect to monitor each portfolio company's management team, each portfolio company's management team will have day-to-day responsibility for the business of such portfolio company.

Key Person Risk. As more fully described in each Fund's offering memorandum and limited partnership agreement, if certain of our Partners cease to devote the requisite amount of their business time and attention to a Fund, such Fund may be prohibited from making additional investments that it otherwise would have been able to make.

Concentration of Investments. The Funds will participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Funds may be affected by the performance of a single portfolio investment or the food and consumer products sector. 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.

Disposition of Private Investments. Many of the Funds' investments will involve private securities, which are generally more difficult to sell than publicly-traded securities, as there is often no liquid market which may result in selling interests at a discount. In connection with the disposition of an investment in private securities, the Funds may be required to make representations about the business and financial affairs of portfolio companies typical of those made in connection with the sale of a business. The Funds also may be required to indemnify the purchasers of such investments to the extent that any such representations turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities that may ultimately yield funding obligations that must be satisfied by the limited partners.

Control Position. The Funds will generally seek investment opportunities that allow the Funds to have significant influence on the management, operations and strategic

direction of the portfolio companies in which they invest. The exercise of control and/or significant influence over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could expose the assets of the Funds to claims by a portfolio company's security holders and creditors. While we intend to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Minority Investments. The Funds may also make minority investments in portfolio companies where they may have more limited influence. Such portfolio companies may have economic or business interests or goals that are inconsistent with those of the Funds and the Funds may not be in positions to limit or otherwise protect the value of their investments in such portfolio companies. The Funds' control over the investment policies of such portfolio companies may also be limited. This could result in the Funds' investments being frozen in minority positions that incur substantial losses. In addition, if the Funds take minority positions in publicly-traded securities as "toe-hold" investments, such publicly-traded securities may fluctuate in value over the limited duration of the Funds' investments in such securities, which could potentially reduce returns to limited partners.

Board Participation. The Funds may be represented on the boards of directors of certain of its portfolio companies or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to the Funds' investment strategies and may enhance the general partner's ability to manage the portfolio investments, they may also have the effect of impairing the general partner's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the general partner, the investment manager and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director related claims. In general, the Funds will indemnify the general partner, the investment manager and their representatives from such claims.

Projections. The Funds may rely upon projections developed by the investment manager or a portfolio company concerning the portfolio company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the investment manager and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize such projected values and cash-flow.

Non-U.S. Investments. The Funds may make investments outside of the United States. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in

which the Funds' foreign portfolio investments may be denominated, and costs associated with conversion of investment principal and income from one currency into another, (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) certain economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital and the risks of political, economic or social instability, (v) obtaining foreign governmental approvals and complying with foreign laws and (vi) the possible imposition of foreign taxes on income and gains recognized with respect to such securities. The Funds' returns on their U.S. portfolio investments may not be indicative of the results they may achieve on investments located in foreign countries. Anti-fraud and anti-insider trading legislation in these countries may be rudimentary. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also may be very limited. In certain of these countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders may be limited. The legal systems in these countries may offer no effective means for the Funds to seek to enforce their rights or otherwise seek legal redress or to seek to enforce foreign legal judgments.

Investments in Partnerships, Joint Ventures and Other Entities. The Funds may acquire interests in partnerships, joint ventures or other entities that own or invest, directly or indirectly, in portfolio investments. Such investments, under certain circumstances, may involve risks not present in direct investments, including, for example, the possibility that one or more of the Funds' co-venturers or partners might become bankrupt, have economic or business interests or goals which are inconsistent with those of the Funds, or be in a position to take action contrary to the Funds' objectives. It may also be difficult for the Funds to liquidate their interests in any such partnership, joint venture or other entity. The Funds may from time to time form companies to hold certain of their portfolio investments in an attempt to facilitate their sale, as well as invest in existing portfolio investments in an attempt to recognize the value of their underlying assets. There can be no assurance that either strategy will be successful.

Counterparty Risk. The Funds will be subject to the risk of the inability of counterparties and custodians to perform with respect to transactions or to safeguard assets, whether due to insolvency, bankruptcy or other causes, which could subject the Funds to incur substantial losses. In an effort to mitigate such risks, the general partner will attempt to limit transactions and entrust assets to counterparties that it believes are established, well-capitalized and creditworthy.

Geopolitical Risks. An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on

economic fundamentals and consumer confidence may increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on the Funds' returns. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

Enhanced Scrutiny and Regulatory Risks. There has been significant discussion recently regarding enhanced governmental scrutiny and/or increased regulation of the private investment fund and financial services industries. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") a comprehensive reform of the United States' financial regulatory system which includes new reporting and compliance obligations for certain private investment funds. Regulatory changes could also occur during the term of the Funds that may adversely affect the Funds in other ways. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of debt financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions.

Equity Securities. The Funds generally intend to invest in common and preferred stock and other equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such debt securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. The Funds may experience a substantial or complete loss on individual equity securities.

Valuation of Assets. There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, Kainos will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of Kainos. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by Kainos may give rise to conflicts of interest, as the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect performance calculations.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

We are not registered, nor do we have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. We are also not registered, nor do we have any application pending to register, as a futures commission merchant or an associated person of a futures commission merchant.

Certain general partners of the Funds have filed for an exemption from registration as a commodity pool operator and we are exempt from registration as a commodity trading advisor.

Kainos Capital Partners GP, L.P.; Kainos GP LLC; and HMK GP LP are the general partners of the Funds, and are indirectly controlled by us or our Partners.

Hicks, Muse & Co. Partners, L.P. and HM Capital Partners I LP (together, “HMC”), limited partnerships and registered investment advisers, are owned in part by our Partners. Like us, HMC manages private equity funds and has made control investments in companies located in North America. However, funds managed by HMC will not make investments in new portfolio companies. We are co-located at the same address as HMC and have substantially the same employees as HMC.

See, *Conflicts of Interest* in Item 11 below.

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

Code of Ethics

We have adopted a “Code of Ethics,” which is included as a part of our “Compliance Manual” and which (along with any amendments) is provided to each employee and will be made available to the Funds upon request. Our Code of Ethics contains certain standards to be followed by our employees and requires employees to comply with all applicable federal securities laws. Also, our Compliance Manual (including our Code of Ethics) informs our employees as to what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality of nonpublic information.

Each employee must certify that he or she has read, understands and agrees to comply with our Compliance Manual. Each employee must also certify annually that he or she has complied with the Compliance Manual. We hold an annual compliance training session and attendance is mandatory for all employees.

Our “Access Persons” (all employees except for certain employees involved only in clerical and administrative activities) are required to notify us of all of their securities holdings and accounts and to submit to us no later than 30 days after the end of each calendar quarter securities transaction reports identifying all securities purchased and

sold. Furthermore, we require that each Access Person re-affirm the accuracy of his or her list of accounts and securities on record with us at least annually. Access persons are required to obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: William G. Neisel, Kainos (TX) Capital, LLC, 2100 McKinney, Suite 1600, Dallas, Texas 75201.

Conflicts of Interest

Kainos and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of Kainos, other Funds or their respective affiliates. Certain of these conflicts of interest, as well a description of how Kainos addresses such conflicts of interest, can be found below.

Kainos may, from time to time, establish certain investment vehicles through which certain employees of Kainos or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Such co-investment vehicles may not pay management fees or Carried Interest.

Resolution of Conflicts

In the case of all conflicts of interest, Kainos’ determination as to which factors are relevant, and the resolution of such conflicts, will be made using Kainos’ best judgment, but in its sole discretion. In resolving conflicts, Kainos may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Kainos believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for the Funds;

- (3) Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with Kainos. The advisory committees meet as required to consult with Kainos as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Kainos will be guided by its good faith discretion;
- (4) Where Kainos deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Conflicts

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities

In general, due to the sequential nature in which future funds may be formed, we will generally be pursuing new investment opportunities for only one fund at any one time. To the extent that the expiration of a Fund's investment period has not occurred when a subsequent fund is formed, it is possible that multiple funds will be permitted to make an investment in the same portfolio company.

Where possible and appropriate, we may offer certain persons (other than the general partners and their affiliates), including limited partners or other third parties, coinvestment opportunities. The Funds may co-invest through partnerships, joint ventures or other entities with third parties that may have economic or business interests or objectives that are different than or conflict with those of the Funds. We may receive a management fee and the general partner of a co-investment partnership may receive a carried interest in respect of such co-investment opportunities.

Subject to any contractual obligations, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of Kainos or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of Kainos or its related persons, (iv) certain persons other than investors in the Funds (e.g., third parties) may be offered co-investment opportunities, in the sole discretion of Kainos or its related

persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer).

Conflicts Related to Purchases and Sales

Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds or a client of a Kainos' affiliate, or in a transaction where another Fund or client of such an affiliate has already made an investment. Investment opportunities may be appropriate for Funds and/or clients of a Kainos' affiliate at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. Certain clients of Kainos and its affiliates may invest in bank debt and securities of companies in which other clients hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund or client of a Kainos' affiliate, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds or clients of a Kainos' affiliate may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by Kainos. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of Kainos or its affiliates in a portfolio company may also raise the risk of using assets of a client of Kainos or its affiliates to support positions taken by other clients of Kainos or its affiliates. Employees and related persons of Kainos and its affiliates have made or may make capital investments in or alongside certain Funds or clients of Kainos' affiliates, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds or clients of a Kainos' affiliate have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds or clients of a Kainos' affiliate have invested.

Principal Transactions

We do not anticipate entering into principal transactions where we or any of our affiliates purchase or sell any security for our own account from or to the account of the Funds. In the event that we (or an affiliate) may engage in a principal transaction, we will obtain the approval of a Fund's advisory committee or limited partners in accordance with the Fund's limited partnership agreement.

Cross Transactions

We are not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, we may engage in a cross transaction where one Fund purchases or sells a security for its account from or to the account of another Fund or where we direct a portfolio company of a Fund to purchase or sell a security for its own account from or to the account of another portfolio company. In the event of a cross transaction, we will obtain any required approvals, including that of a Fund's advisory committee or limited partners in accordance with the terms of the Fund's limited partnership agreement.

Allocation of Exit Opportunities

In the event multiple funds own the same security, unless otherwise approved by a Fund's advisory committee or limited partners in accordance with the terms of the Fund's limited partnership agreement, we expect to allocate an exit opportunity pro-rata based on the amount of such securities held by each Fund.

Allocation of Personnel

Some of our Partners have ongoing duties with respect to HMC and will, therefore, be unable to devote all of their business time to the Funds. We believe this potential conflict of interest is mitigated by the general partners' capital commitments to and their Carried Interest in the Funds. In addition, HMC is not expected to sponsor another fund or make investments in new portfolio companies. Thus the time allocation with respect to HMC should decline over time.

Providers of Operations Support

The general partner and the portfolio companies may from time to time retain other companies and individuals ("Operations Support Providers"), which may be affiliates of the general partner, employees of such affiliates, portfolio companies of other Kainos funds, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members), "operating partners" or "senior advisors". The

Operations Support Providers are engaged to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies (“Operations Support Services”). These services may include support to the general partner or portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

Pursuant to the limited partnership agreement, fees and expenses associated with Operations Support Services (“Operations Expenses”) may be paid and/or reimbursed by portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) may be determined at the discretion of the general partner taking into account the particular Operations Support Services, may include a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner in its good faith discretion. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the general partner in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the management company or its affiliates. The general partner’s good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Fund and its investors.

Management of the Funds

Kainos manages a number of Funds that may have investment objectives similar to each other. Kainos may in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current

Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest.

The Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount. The Funds, pursuant to their limited partnership agreements, will only enter into such joint and several borrowing arrangement when Kainos determines it is in the best interests of the Funds.

Follow-on Investments

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in leveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

Conflicts Relating to the General Partner and Adviser

Kainos generally may, in its discretion, contract with any related person of Kainos (including but not limited to a portfolio company of a Fund) to perform services for Kainos in connection with its provision of services to the Funds. When engaging a related person to provide such services, Kainos may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Kainos generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) Kainos or a related person of Kainos (including but not limited to a portfolio company of a Fund) or (ii) an entity with which Kainos or its affiliates or a member of their personnel has a relationship or from which Kainos or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, Kainos may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Kainos, its affiliates, and Partners, officers, principals and employees of Kainos and its affiliates may buy or sell securities or other instruments that Kainos has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and

procedures set forth in Kainos' Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of Kainos have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by Kainos, are reimbursed by a Fund and/or its portfolio companies, Kainos may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

Fee Structure

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because management fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when Kainos may not otherwise have done so.

Additionally, as discussed above in Item 6, the general partners of the Funds are entitled to Carried Interest under the terms of the limited partnership agreements of such Funds. Such general partners are affiliates of Kainos. The existence of the general partners' Carried Interest may create an incentive for the general partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Services to Portfolio Companies

As described in Item 5 above, Kainos and its affiliates may perform services for, and may receive monitoring, directors', consulting and other similar fees and financing or other transaction fees in connection with the activities of the Funds. In addition, we may be reimbursed by the Funds' portfolio companies for expenses we incur in connection with our performance of the services that give rise to Other Fees (including without limitation travel expenses, which may include expenses for chartered or first class travel); such reimbursed expenses are generally not included in the definition of "Other Fees" under the terms of the applicable organizational documents, and such reimbursements are not subject to the sharing arrangements described below. The monitoring, directors', consulting and other similar fees that we receive with respect to a portfolio investment are generally determined with reference to a Monitoring and Oversight Agreement with the portfolio company and are typically agreed to at the closing of a Fund's investment in the portfolio company. The financing or other transaction fees that we receive with respect to a portfolio investment are generally determined with reference to a Financial Advisory Agreement with the portfolio company and are typically agreed to at the closing of a Fund's investment in the portfolio company. Additional fees may be due upon the early termination of a Monitoring and Oversight Agreement or Financial Advisory Agreement. This creates a conflict of interest between Kainos and its affiliates

and the Funds and their investors because the amounts of these fees and reimbursements may be substantial and the Funds and their investors generally do not have an interest in these fees and reimbursements. Kainos determines the amount of these fees for related services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the Funds. Kainos and its affiliates will in some circumstances reduce the amount of management fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the advisory agreement and/or organizational documents of the applicable Fund. Entities other than Funds that participate in investments alongside the Funds (such as entities through which Kainos and certain employees and affiliates of Kainos invest alongside the Funds) may have a right to share in such fees, and management fees will generally not be reduced in connection with the receipt of such entities' share of such fees. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company. As some Funds do not pay management fees, any such reduction will not benefit such Funds.

Conflicts with Portfolio Companies and Access to Inside Information

Our Partners, officers, employees, or affiliates may serve as directors of certain entities through which the Funds will hold portfolio investments and, in that capacity, may be required to make decisions that consider the best interests of such entity and its shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of such an entity, actions that may be in the best interest of the entity may not be in the best interests of the Funds, and vice versa. Accordingly, in these situations, there may be conflicts of interest between such individual's duties as our Partner, officer, employee or affiliate and such individual's duties as a director of the entity. Further, these entities may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of HMC that, although consistent with the requirements of the Funds' limited partnership agreements, may not have otherwise been entered into but for the affiliation with HMC.

As a result of participation by our Partners, officers, employees or affiliates on the boards of directors of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by us or the Funds, the Funds may be deemed to be in possession of material, non-public information. Such possession of material, non-public information may create a conflict of interest between our representatives' duties and obligations to the companies on whose boards such representatives participate and the Funds' ability to effect purchases and sales of the securities of such companies in the best interest of the Funds.

Diverse Membership

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by us or our affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, we and our affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

Business with Portfolio Companies and Investors

Given the collaborative nature of our business and the portfolio companies in which the Funds have invested, there are often situations where we are in the position of recommending portfolio company services to other portfolio companies. We may have a conflict of interest in making such recommendations, in that we have an incentive to maintain goodwill with our existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds.

We may have an incentive to recommend the products or services of certain investors in the Funds, certain Third Parties, or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Portfolio companies controlled by a Fund may provide services to certain Fund investors. We may have an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

We and/or our affiliates may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company).

We have service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are investors in Funds and/or who provide services to businesses that are our competitors. We may have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a

portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds of our affiliates or will provide us information about markets and industries in which we operate or are interested or will provide other services that are beneficial to us. There is a possibility that we, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The general partner of a Fund may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate.

Side Letter Agreements

Kainos may enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms. We have entered into side letters and other organizational documents that change certain terms described in a Fund's offering memorandum or limited partnership agreement, including, but not limited to, different fee structures (including exempting partners affiliated or otherwise associated with us (i) from paying performance-based fees and (ii) from contributing capital to pay for management fees).

Other Potential Conflicts

Kainos and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Kainos and/or its affiliates, the parties may engage separate counsel in the sole discretion of Kainos and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, Kainos and the Funds may engage other common service providers. In such circumstances, there may be a conflict of interest between Kainos and the Funds in determining whether to engage such service providers, including the possibility that Kainos may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds.

Kainos may, in its discretion, have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of Kainos. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between Kainos and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that Kainos may favor the engagement or continued engagement of such

persons even if a better price and/or quality of service could be obtained from another person.

The partnership agreements (or analogous organizational documents) of certain Funds may permit the general partner of each such Fund to cause such Fund to distribute such general partner's share of securities resulting from an investment disposition by such Fund to such general partner or its affiliates in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partners and the limited partners of the applicable Fund, because the general partner may have an incentive to cause the Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the general partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receive such a distribution, the general partner may act in its own interest with respect to its share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Fund, and the Fund.

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's general partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The general partner may elect to withhold certain information to such limited partners for reasons relating to the general partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Item 12. Brokerage Practices

We will not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the Funds because the securities that we intend to purchase or sell on behalf of the Funds will typically be acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, we may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. In those instances, we have full discretionary authority with respect to the selection of, and commissions paid to, brokers. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us.

We will not receive soft dollar benefits or client referrals from broker-dealers in connection with Fund transactions.

Aggregation of Trades

Kainos and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly-traded security. This practice is employed because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. Kainos and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, Kainos and its affiliates generally aggregate trade orders for publicly-traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly-traded security cannot be fully executed, allocation shall be made based upon Kainos' procedures for allocation of investment opportunities, as described in Item 11 above.

Item 13. Review of Accounts

Oversight and Monitoring

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly Kainos' review of them is not directed toward a short-term decision to dispose of securities. Our Partners are responsible for oversight of the investment, monitoring, and exit processes. In addition, our investment professionals generally meet weekly to review potential new and existing portfolio investments.

Reporting

Limited partners in the Funds will be provided with audited annual financial reports and quarterly unaudited summary financial information in accordance with the terms of the Funds' limited partnership agreements. This information may be provided electronically. Limited partners are also provided with annual tax information. Kainos and the applicable general partner, if any, may from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to Kainos by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, Kainos and its related persons may, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies.

While not a client solicitation arrangement, the Funds may make use of placement agents or other advisors to help place limited partner interests in the Funds. In exchange for such services, the agents or advisors may earn a fee that will be treated as more fully described in the Funds' limited partnership agreements.

Item 15. Custody

Not applicable.

Item 16. Investment Discretion

We have entered into investment management agreements with the Funds. The management agreements and/or the management authority granted to the Funds' general partners pursuant to the Funds' limited partnership agreements, provides us directly or through the general partners with full discretion to determine investments to be purchased and sold on behalf of the Funds and the terms of the related transactions. Limitations on our investment discretion are set forth in the investment management agreements with, and the limited partnership agreements of, the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund, and not individually to the investors in the Funds.

Item 17. Voting Client Securities

While the securities evidencing the private equity investments to be made by the Funds are not typically the subject of proxies, there could be certain circumstances where we, having discretionary authority over the Funds, may be asked to vote the securities of the Funds on restructuring or other corporate matters. We will ensure that a record of each securities position held by the Funds is maintained and, where any such vote is to occur, have procedures to cast votes in a timely manner.

We will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interest of the Funds. If we determine that there is no material conflict of interest, then we will make the voting determination and take the required voting action. If we determine that, due to a conflict of interest, we are not capable of making an independent determination as to the voting decision, the voting decision will be that recommended by the applicable Fund's advisory committee. The Funds cannot direct our vote in a particular solicitation. The Funds are controlled by their general partners (our affiliates) and, as such, the Funds will be aware of how we voted with respect to their securities.

Our voting procedures are contained within our Compliance Manual and are available to investors in the Funds upon request.

Item 18. Financial Information

Not Applicable

Item 19. Requirements For State-Registered Investment Advisers

Not Applicable