



Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of KM Capital Management, Ltd. If you have any questions about the contents of this Brochure, please contact us at (512) 697-0290 and/or jfeste@kmcapitalmgt.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about KM Capital Management, Ltd. also is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for KM Capital Management, Ltd. is 132887.

Any references to KM Capital Management, Ltd. as a registered investment adviser or its related persons as registered advisory representatives do not imply a certain level of skill or training.

Item 2 - MATERIAL CHANGES

This Item discusses only the material changes that have occurred since KM Capital Management, Ltd.'s ("KMC" or "the Firm") last annual update filed on August 21, 2018.

- KMC added TD Ameritrade Institutional as a designated custodian and back office service provider for the Firm and its clients (See Item 12 for more details).
- KMC is in the process of liquidating KM Capital Venture Partners, LP.

Our brochure may be requested free of charge by contacting Joseph Feste at (512) 697-0290 and/or jfeste@kmcapitalmgt.com. Additional information about KM Capital Management, Ltd ("KMC") is also available via the SEC's website www.adviser.sec.gov. The website also provides information about any persons affiliated with KM Capital who are registered, or are required to be registered, as investment adviser representatives of KM Capital.

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Item 4 - ADVISORY BUSINESS

- A. KMC Management, Ltd. (hereinafter referred to as “KMC” or “the Firm” was established in July of 2004. KMC is wholly owned by Joseph Feste, Managing Partner.
- B. KMC provides a variety of investment advisory and related financial advisory services, such as:
- Investment Advisory Services - Wealth management, asset allocation, financial planning, strategic advice, and recommendations in alternative third-party managers or portfolio investments.
 - Bill Pay and Bookkeeping Services - Quicken/QuickBooks setup and monitoring, spending reports, budgets, cash management, bill management services, and tax preparation support services.
 - Non-Investment Advisory Services – Insurance (life, home, auto), major asset purchases and other concierge services, estate planning, financial counseling, and other administrative services.

Investment Advisory Services

Advisory services are provided on a discretionary or non-discretionary basis to the following “Clients”: (i) separate accounts for high net worth individuals (“Managed Accounts”) and (ii) private pooled investment vehicles (the “Funds”). Client accounts are generally invested in accordance with an investment policy statement or other governing documents with respect to the Funds. Clients’ portfolio will typically be invested in a variety of investment products on a discretionary basis, including but not limited to, exchange traded funds (“ETFs”), load and no-load mutual funds (load mutual funds are purchased at net asset value “NAV”), stocks, bonds, and money market accounts or other cash equivalents.

KMC also recommends and monitors private placements in alternative investments for qualified Managed Account Clients. Once it has been decided to proceed with such an investment opportunity, KMC may establish a stand-alone private equity vehicle to hold the investment, and the relevant Managed Account Clients will then invest in such a vehicle (“KMC Fund”). Alternatively, KMC will recommend the Managed Account Client to invest directly in the private placement offering (Direct Private Placement). All KMC Managed Account Client recommendations in KMC Funds or Direct Private Placements are offered on a non-discretionary basis to qualified persons.

Bill Pay & Bookkeeping Services

KMC will provide services such as set up new bank accounts, create a Quicken or QuickBooks Client file, record all checks, credit and debit card charges, record wires, journals and transfers in checking and reserve accounts, move funds as requested by

the client, transfer monthly budget amount, reconcile accounts monthly, provide client with monthly cash flow, review check register and prepare reconciliation reports (all reports shall be prepared based only upon information processed by KMC and supplied by the client. KMC shall have no obligation to secure any such required documents from any other source.), prepare typical annual financials, bill preparation, prepare checks for outstanding bills and send to client for review, approval, (handled overnight), and handle any correspondence with client's vendors to reconcile any discrepancies. The above-mentioned services are based on the service level desired by the client.

General Information

Clients are advised the investment recommendations and advice offered by KMC are not legal advice or accounting advice. Clients should coordinate and discuss the impact of financial advice with their attorney and/or accountant. Clients are advised that it is necessary to inform KMC promptly with respect to any changes in their financial situation and investment goals and objectives. Failure to notify KMC of any such changes could result in investment recommendations not meeting clients' needs.

- C. Advice will be tailored to the individual needs of each Managed Account Client based upon its understanding of each client's financial situation, goals, and objectives. KMC may agree to reasonable investment restrictions imposed by its Clients. Fund Clients are managed in accordance with the respective offering documents.
- D. KMC does not participate in any wrap fee programs.
- E. As of December 31, 2018, KMC has approximately \$135,070,763 client assets under our discretionary management and \$10,697,103 in non-discretionary assets.

Item 5 - FEES AND COMPENSATION

Managed Account Advisory Fees

- A. The fees and expenses applicable to each Managed Account Client are set forth in detail in client advisory agreements. KMC maintains a fee schedule for its Managed Accounts that is similar to the table set out below. However, advisory fees are often negotiated individually and may result in a reduced fee or other fee arrangement, such as, being charged either a flat fee or a fee based on a percentage of assets (including amounts invested directly by the Firm, amounts invested in Funds, or invested in Direct Private Placements).

Advisory fees are generally billed quarterly in advance. Fees will be debited directly from the client's account within the first ten business days of the first month following the most recently completed calendar quarter. The fee will be calculated based upon the market value of the portfolio, including cash equivalents, determined as of the close of business of the last day of such preceding calendar quarter (or, in the case of

new clients, on the day the first portfolio account is opened), as reported by the custodian. Any deposits or withdrawals made during the billing quarter will be pro-rated and billed accordingly. Also, it not uncommon for various custodians to have slightly different prices for identical bonds. For these reasons, the billable value of a client's portfolio as shown on their investment report may differ from the value as shown on the custodian's statement(s).

For investments in Direct Private Placements and similar private offerings for which KMC provides advice to clients, KMC charges a negotiated consulting, due diligence, or monitoring fees. For these investments, as well as other outside assets that KMC advises on, KMC invoices clients directly for consulting, due diligence and monitoring fees separate from the advisory fee. In order to avoid double booking of fees, when a Managed Account invests in the KMC Fund or Direct Private Placements, fees will be invoiced separately either in accordance with offering document disclosures or other fee disclosures and will not be included in the aforementioned fee calculation.

On occasion, Private Placements are held on the books of the custodian. In these instances, KMC will bill advisory fees at the lower of cost, par value (if performing), or market for these assets. Pricing and valuations are received from private placement sponsor and/or administrators. In the event a quarter-end valuation for a certain asset(s) is unavailable, KMC will use the most recent value known to KMC with respect to such asset(s).

Fee Schedule

| Account Size | Annual Fee |
|----------------------------|-------------------|
| \$0 to \$999,999 | 1.50% |
| \$1,000,000 to \$4,999,999 | 1.25% |
| \$5,000,000 to \$9,999,999 | 1.00% |
| \$10,000,000 and above | Negotiable |

Household accounts will be aggregated to determine the quarterly fee. KMC utilizes the following fee formula for calculating the quarterly fee:

$\% \times \text{Account Value} / 365 \times \text{the number of days in the calendar quarter}$

- B. KMC's advisory fee payable upon initial implementation of the account and all subsequent periods will be paid through direct debit of client accounts. Authorization for KMC to direct debit of the advisory fees from client accounts by written authorization is contained in the Advisory Services Agreement. Clients will be provided with a fee invoice that identifies the advisory fee, the value of the account and how the fee was calculated. Additionally, clients will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the account does not contain sufficient funds to pay advisory fees, KMC has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Clients

may reimburse the account for advisory fees paid to KMC, except for ERISA and IRA accounts.

- C. In addition to the advisory fees above, clients may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the account. Such fees are not charged by KMC and are charged by the product, broker/dealer or account custodian. KMC does not share in any portion of such fees. Additionally, clients may pay a proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with KMC and are compensation to the fund-manager.

Termination Provisions

Clients may terminate investment advisory services obtained from KMC, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with KMC. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, you may terminate investment advisory services with a 30-day written notice to KMC. Should a client terminate investment advisory services during a calendar quarter, they will be issued a pro-rated refund of the advisory fee from the date of termination (i.e. 30 days from receipt of written notice) to the end of the calendar quarter.

Bill Pay and Bookkeeping Services

Bookkeeping Fees are based on the client's personal circumstances, financial situation and the estimated time needed each month to provide the services described within the Bookkeeping Agreement. Fees are billed in advance on the 10th of each month and payable by the 25th of the preceding month for services to be performed during that calendar month. The agreed upon fee shall be reflected in the Client's executed Bookkeeping Agreement. KMC may negotiate bookkeeping fees at its discretion. Also, clients are responsible for additional service fees charged by banks, such as, ACH, wire, custodial charges, etc. KMC does not receive any portion of these banking fees.

KMC shall have no obligation to perform any services in any month where the compensation has not been received. Such sums shall be due and payable even if the client has failed to submit the necessary documentation in any calendar month. Fees are based on the Client's personal circumstances; financial situation and the estimated time needed each month to provide the services described above.

For Non-Advisory/Concierge Services

Occasionally, KMC charges an administrative flat fee for certain non-advisory/concierge services. For these services, Clients are sent monthly invoices

detailing the services provided in the previous month and the applicable fee. Clients may authorize KMC in writing to process payment to itself, and in such cases, KMC does not process payment until the client has approved the charges on the monthly invoice.

Private Fund Advisory Fees

Funds are created on case by case basis, and the fee arrangements established for such vehicles will vary. In general, asset-based fees related to the Funds are billed and deducted quarterly at the end of the calendar quarter (i.e., in arrears), and pay carried interest compensation to KMC or affiliate general partners. The fees and expenses applicable to each Fund are set forth in detail in each Fund's offering documents. Investors should review all fees charged by KMC and others to fully understand the total amount of fees to be borne by a Fund and, indirectly, by its investors.

Asset-based fees related to the Funds are billed and deducted quarterly at the end of the calendar quarter (i.e., in arrears). KMC or affiliates may choose to reduce or waive management and carried interest fees for certain investors such as employees, affiliates of the general partner, early investors, the management team of the underlying portfolio company, and any strategic co-investors/partners. Also, as described in more detail in Item 10 of this brochure, certain individuals may receive commissions on sales of insurance products.

Private Fund Expenses

As permitted by each Private Fund's relevant governing documents, the Private Funds bear all operational, audit and administration expenses; all expenses incurred with the purchase, proposed purchase, holding, sale or proposed sale of any investment including, without limitation, all travel related expenses and all third party out-of-pocket costs and expenses of custodians, paying agents, registrars, counsel, independent accountants, independent representatives and others, unless such costs or expenses are paid for by the portfolio company; all costs of prosecuting or defending any legal action for or against the managing member or affiliates; principal of, interest on and fees and expenses arising out of any and all permitted borrowings made by the Private Fund; the costs of any litigation, director and officer liability or other insurance and indemnification or expense or liability relating to the affairs of the Private Fund; all expenses of liquidating the Private Fund; and any taxes, fees or other governmental charges and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Private Fund.

Investors should review the confidential offering memorandum of the Private Fund in which they are invested to fully understand the types of fees and expenses paid for by the relevant Private Fund. While the Private Funds are generally responsible for the above expense types pursuant to the relevant governing documents, KMC, in its sole discretion, may determine not to allocate them to the Private Funds.

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

KMC does not offer performance-based fees. Performance fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. KMC has a related person who does manage three Limited Partnerships. Although the offering documents allow for the General Partner to receive a performance fee under certain circumstances, none have been billed to date. Upon dissolution of the partnerships, KMC's related person may receive a performance fee if all conditions described within the offering agreements are met.

Item 7 - TYPES OF CLIENTS

KMC's services are geared toward both high net worth individuals (i.e. individuals with a net worth of \$2,100,00 or more), as well as private pooled investment vehicles (i.e., the Funds). The Adviser's client base also includes a small number of trust and corporate accounts, as well as a nonprofit organization.

KMC generally requires a minimum amount of assets or \$500,000 (cash or securities) to be deposited to an account for the purpose of obtaining asset management services. However, KMC may waive the minimum account size requirement at its discretion.

The KMC may accept subscriptions from qualified investors, which includes Managed Account Clients. All investors must meet the qualification standards within the offering documents.

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

- A. KMC conducts fundamental analysis when evaluating potential investment opportunities. Fundamental analysis generally involves assessing a company's or security's value based on related economic, financial, and other qualitative and quantitative factors, including but not limited to revenue, earnings, margins, future growth, and other data.

KMC uses multiple investment management philosophies. KMC's investment strategies are flexible depending on the suitability of the client, the financial markets and the objective of the client. KMC typically invests and holds securities for the long term (i.e. purchases of securities held at least a year) and seeks to limit short term (i.e. securities sold within a year) trading. Additionally, depending on the objective, risk tolerance and suitability factors of the client, the Firm may engage in transactions involving margin (trading securities that an investor has bought with money borrowed from a broker for that purpose) and options.

- B. Clients are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, participation in any of the management programs offered

by KMC will require clients to be prepared to bear the risk of loss and fluctuating performance.

KMC does not represent, warrant or imply that the services or methods of analysis used by KMC can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that client goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by KMC will provide a better return than other investment strategies.

- C. KMC does not restrict itself to any particular type of product. However, the following discusses some of the more commonly purchased and sold products along with a brief description.

The risks with stocks and bonds are that their prices fluctuate throughout the day. Stocks can drop in value and become worthless. The risks with stocks are market risk and company-specific risk. The price of a stock can decline due to company-specific reasons as well as the health of the overall stock market. Even dividends, which many beginning investors believe are guaranteed payments by the company, can decline or be totally eliminated.

KMC attempts to minimize trade errors by promptly reconciling confirmations with trade tickets, and by reviewing past trade errors to understand the internal control breakdown that caused the errors. From time to time, KMC may make an error in submitting a trade order on a client's behalf. When this occurs, KMC will seek to correct the error promptly in a way that mitigates any losses. KMC will bear any costs associated with correcting any error. Gains associated with any trade error shall be retained by the affected Client(s). The Firm will generally not net gains and losses associated with multiple errors related to separate investment decisions but gains and losses stemming from an interrelated set of errors may generally be netted.

The risks with mutual funds include:

1. Manager Risk: The risk that an actively managed mutual fund's investment adviser will fail to execute the Fund's stated investment strategy.
2. Market Risk: The risk that the stock market will decline, decreasing the value of the securities contained within the mutual funds we recommend to clients.
3. Industry Risk: The risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
4. Inflation Risk: The risk that the rate of price increases as the economy deteriorates the returns associated with the mutual fund.

Mutual fund fees are described in the Fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's web site. At the client's request at any time, KMC will direct the client to the appropriate web page to access the prospectus.

Long-term purchases – Using a long-term purchase strategy generally assumes financial markets will appreciate in the long-term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps your particular investment will go down over time, even if the overall market advances. Purchasing investments long-term may create an opportunity cost - “locking-up” assets that may be better utilized in the short-term in other investments.

Short-term purchases – Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term, which may be very difficult. There are many factors that can affect market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

With regard to the use of other alternative managers, risks include the possibility of manager turnover, style drift, underperformance, size constraint, tax inefficiency, compliance, and fee changes. In addition, for alternative investments, private offerings, and certain other third-party managers, potential risk factors include lack of liquidity, lack of transparency, layering of fees, and other risks as identified by such managers in their disclosure documents.

With respect specifically to alternative investment vehicles recommended by KMC that charge performance fees, the possibility of receiving a performance-based fee may create an incentive for the underlying/third-party manager to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement. Performance-based fees are disclosed in fund and investment offering documents.

The computer systems, networks, devices, and service providers used by KMC to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by the Firm and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

This is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Client Account or Private Funds. Clients should review the risk disclosures in each prospectus or other governing documents to further understand the risks and potential conflicts of interest. Investors in the Private Funds should review the subscription and governing documents provided for further discussions on associated risks and potential conflicts of interest.

Item 9 - DISCIPLINARY INFORMATION

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of KMC, its business or its management persons.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Joseph Feste is a 50% owner of KMC Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP and KM Capital Venture Partners III, LP. Mr. Feste's spouse is the other 50% owner of KMC Management, GP, LLC. Clients of KMC may be solicited to invest in the partnerships.

KMC is not and does not have a related person who is a: futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Further, KMC is not and does not have a related person who is: broker/dealer or other similar type of broker or dealer; investment company, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; pension consultant; or real estate broker or dealer.

Mr. Feste, the Managing Member and Chief Compliance Officer of the Adviser, is a licensed insurance agent/broker with various companies. The sale of these products accounts for approximately 5 - 10% of his time. Mr. Feste may recommend insurance products and may also, as an independent insurance agent, sell those recommended insurance products to clients. When such recommendations or sales are made, a conflict of interest exists that earning insurance commissions for the sale of those products creates an incentive to recommend such products over others non-commission or lower commission generating recommendations. Clients are not obligated to use KMC representative for insurance product purchases and may work with any insurance agent they choose. Insurance compensation will be separate and distinct from investment advisory fees charged by KMC. Other insurance agencies may offer a similar insurance product which costs more or less.

Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

- A. KMC has a fiduciary duty to their clients to act in their best interest and always place client interests first and foremost. KMC takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as KMC's policies and procedures. Further, KMC strives to handle non-public information in such a way to protect information from falling into hands that have no business reason to know such information. KMC provides clients with the Firm's Privacy Policy. As such, KMC maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations of the reporting requirements, and safeguarding of material non-public information about client transactions. Further, KMC's Code of Ethics establishes KMC's expectation for business conduct. A copy of our Code of Ethics will be provided upon request.
- B. As stated above under Item 10, Other Financial Industry Activities and Affiliations, Joseph Feste is a 50% owner of KM Capital Management GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP and KM Capital Venture Partners III, LP. Mr. Feste's spouse is the other 50% owner of KM Capital Management GP, LLC. Clients of KMC may be solicited to invest in the partnerships.
- C. KMC and its associated persons may buy or sell securities identical to those securities recommended to their clients. Therefore, KMC and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to client accounts. KMC and its associated persons will not put their interests before clients' interest. KMC and its associated persons may not trade ahead of clients or trade in such a way to obtain a better price for themselves than for clients.

Employees of the Firm may invest alongside Managed Account Clients in Private Funds and Direct Private Placements. KMC believes this is important alignment of interest with its Managed Account Clients. However, this may create a conflict in situations when there is a limited capacity to participate. KMC has investment allocation procedures designed to allocate investment opportunities among its Managed Account Clients in a fair and equitable manner and to mitigate this conflict. In general, employees are allowed to invest up to a set percentage and only can increase that percentage after all eligible and interested Managed Account Clients have been offered (but capacity remains). KMC may exclude Managed Account Clients for various reasons, such as, liquidity, risk tolerance, qualifications, experience in similar investments, ability to execute, existing concentrations or diversification reasons.

- D. KMC is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of client transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

Item 12 - BROKERAGE PRACTICES

KMC may recommend that Managed Accounts establish a brokerage account(s) with TD Ameritrade Institutional ("TDA" or the "Designated Custodian") for custody and brokerage services, however, certain legacy clients or investments may be custodied at other custodians. KMC has evaluated TDA and believes that it will provide Clients with a blend of execution services, commission costs and professionalism that will help the Firm meet its fiduciary obligations. KMC does not receive any economic benefits from client referrals. Although KMC may recommend that Managed Accounts establish accounts at the Designated Custodian, it is the Client's decision to custody assets at the Designated Custodian. KMC may have the authority to use broker-dealers other than the Designated Custodian to execute trades for Client accounts maintained at the Designated Custodian, but this practice may result in additional costs to Clients. KMC directs trades away from Custodian for various reasons, including, availability, service, expertise, and access to research. To mitigate potential conflicts, KMC conducts a periodic best execution review that includes an assessment of the pricing and services received from the preferred custodian and executing brokers. KMC also conducts periodic best execution reviews that include contemporaneous reviews, comparisons against other executing broker-dealers, and overall assessment to prevent any improprieties.

While KMC does not maintain a formal soft dollar arrangement with the Designated Custodian or other brokers, TDA makes available to KMC other products and services that benefit KMC but may not directly benefit its clients' accounts. These products and services assist KMC in managing and administering Client accounts. They include investment research, both TDA's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at TD Ameritrade. In addition to investment research, TDA also makes available software and other technology that: provides access to client account data (such as duplicate trade confirmations and account statements); facilitates trade execution and allocate aggregated trade orders for multiple client accounts; provides pricing and other market data; facilitates payment of our fees from our clients' accounts; and, assists with back-office functions, recordkeeping, and client reporting.

KMC has a trading relationship with a RBC Dain Rauscher broker, Bryan Boynton. Mr. Boynton is related to Mr. Feste. KMC may direct trades through Mr. Boynton and Mr. Boynton will be paid commissions for any transactions directed by KMC. Trading costs may be higher or lower at RBC Dain Rauscher than other broker/dealers. Neither KMC nor Mr. Feste shares, directly or indirectly, in any portion of the compensation received by Mr. Boynton. This is an inherent conflict of interest due to the familial relationship. However,

KMC believes that the service, execution, and research made available due to this relationship mitigates the inherent conflict and allows KMC to still achieve best execution.

If a client selects another broker/dealer or account custodian or request trades be directed through another broker, trading costs may be higher, and the client may receive less favorable prices. The client will not be able to participate in any aggregated orders submitted by KMC which often reduce transaction costs and can obtain more favorable pricing.

KMC may aggregate ("block") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or blocked orders will not reduce the transaction costs to participating clients. KMC conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated on a random basis. Under certain circumstances, the amount of securities maybe increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

Item 13 - REVIEW OF ACCOUNTS

- A. KMC performs regular reviews of the accounts it manages on behalf of its clients. Each account is managed collectively by the three principals listed in the Brochure Supplement, whose review responsibilities include the following:
- review the account's securities for price changes, volume, and relevant news;
 - compare the account's allocation with stated goals;
 - review holdings and consider alternatives;
 - monitor the size of individual securities relevant to their sectors, asset classes, and overall account size;
 - analyze an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and
 - assess its performance.

These reviews seek to ensure that the account is consistent with the client's investment objectives and guidelines, the investment strategy remains suitable for the client, and any material changes with respect to the account or client have been incorporated.

- B. Clients are advised to notify KMC promptly of any changes to financial goals, objectives or financial situation as such changes may require KMC to review the portfolio allocation and make changes. Clients will be provided monthly, or at least quarterly, statements direct from the account custodian. Upon request, KMC will provide a consolidated report of the managed account. Clients should compare all reports provided by KMC with the statements received directly from the account

custodian. Should there be any discrepancy the account custodian's report will prevail.

A client's investment report may differ from the custodian's statement(s) for various reasons, including: (1) KMC's reports generally are prepared on a trade-date basis, reflecting holdings as of the day transactions are executed, while holdings in custodians' statements generally are reported on a settlement basis, which typically is three to five business days after the trade date; (2) KMC's reports in many cases include assets that it advises on but are not held at the client's custodian (for which KMC receives data and valuations from other sources); and/or (3) KMC's reports in many cases exclude non-managed positions, while the custodians generally must report all client assets held in an account. Also, it not uncommon for various custodians to have slightly different prices for identical bonds. For these reasons, the billable value of a client's portfolio as shown on their investment report may differ from the value as shown on the custodian's statement(s). For assets not held by a client's main custodian, yet advised on and reported by KMC, pricing and valuations are received from private placement sponsor and/or administrators. In the event a quarter-end valuation for a certain asset(s) is unavailable, KMC will use the most recent value known to KMC with respect to such asset(s). Valuations and/or performance for a client's interest in a limited partnership, hedge fund, or other similar investment vehicle are subject to change based upon updates received from the underlying managers and administrators.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

- A. Product or service vendors recommended by KMC may provide monetary and non-monetary assistance with client events, provide educational tools and resources. KMC does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. KMC's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and KMC.
- B. KMC may also engage solicitors. Compensation to the solicitor is dependent on the client entering into an advisory agreement with KMC for advisory services. Compensation to the solicitor will be an agreed upon percentage of the advisory fee or a flat fee. The solicitation/referral fee is paid pursuant to a written agreement retained by KMC and the solicitor. The solicitor will be required to provide the client with a copy of this brochure and the solicitor's client disclosure document detailing the amount we will pay the solicitor prior to or at the time of entering into any investment advisory contract with KMC.

Item 15 - CUSTODY

Under government regulations, KMC is deemed to have custody of client assets if, for example, a client authorizes the Firm to instruct the account custodian to deduct advisory

fees directly from a client account or if a client grants us authority to move money to another person's account. The account custodian maintains actual custody of client assets. As stated above in Item 13.C., clients and investors will receive account statements directly from their account custodian at least quarterly. They will be sent to the email or postal mailing address provided. Clients and investors should carefully review those statements promptly when you receive them.

Typically, KMC will be deemed to have custody of client accounts either through i) its bookkeeping services provided, including ability to administer standing letter of authorizations (SLOA); (ii) through advisory services delivered to Managed Account Clients whereby the client may invest in a limited partnership that a related person of KMC is a General Partner; or (iii) in the case of Fund Clients, KMC or related person serves as the General Partner of the Fund. KMC will follow all custody rules and appropriate surprise examinations will be conducted of client accounts pursuant to the Advisers Act custody rule (i.e., Rule 206(4)-2) (the "Custody Rule"). To comply with the Custody Rule in these instances, KMC has arranged for an annual surprise examination by an independent and PCAOB registered public accountant to verify Managed Account and Fund Client assets.

Item 16 - INVESTMENT DISCRETION

KMC has discretion and authority to manage and direct the investment of capital for majority of its Managed Account and Fund Clients. This authority is provided to KMC through an investment advisory agreement signed by clients and custodial agreements. Any limitations on KMC's discretionary authority are included in the investment advisory agreements, Fund offering documents, and/or the Firm's internal compliance policies and procedures. Some Managed Accounts have an agreement for KMC to provide advisory services on a nondiscretionary or consulting basis. In addition, all Fund and Direct Private Placements are recommended on a non-discretionary basis. In a non-discretionary relationship, KMC typically leads the investment decision-making process with the Managed Account Client as final decision maker.

Item 17 - VOTING CLIENT SECURITIES

For Managed Account Clients, KMC does not vote proxies for your securities. Unless a client suppresses proxies, securities proxies will be sent directly to clients by the account custodian or transfer agent. Clients may contact KMC with questions or opinions on how to vote the proxies. However, voting the proxies is solely the client's decision.

KMC has the authority to vote proxies for Fund Clients. However, due to the nature of the underlying holdings, it is not common to receive traditional proxies. In circumstances where KMC votes a proxy ballot, KMC's policy is to vote in the interest of maximizing value for its clients. To that end, KMC will vote in a way that it believes, consistent with its fiduciary duty, will cause the security to increase the most or decline the least in value. Consideration will be given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote.

The Firm's complete proxy voting policy and procedures are memorialized in writing and are available for review. Please contact KMC with any questions or wish to review these documents.

Item 18 - FINANCIAL INFORMATION

- A. As stated above, KMC has discretionary authority over client accounts; however, that authority does not extend to the withdrawal of any client assets, with the exception of deduction of KMC's advisory fees from client accounts. KMC is financially stable. There is no financial condition that is likely to impair the Firm's ability to meet contract actual commitment to clients. KMC does not require advance payment of \$1200 or more and six months in advance of services.
- B. Neither KMC nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.