

INVESTMENT ADVISER BROCHURE

KRG CAPITAL MANAGEMENT, LP

**KRG Capital Management, LP
1800 Larimer Street
Suite 2200
Denver, CO 80202
www.krgcapital.com**

March 31, 2011

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of KRG Capital Management, LP (“KRG Capital”). If you have any questions about the contents of this Brochure, please contact us at 303.390.5001. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

TABLE OF CONTENTS

	<u>Page</u>
Advisory Business	2
Fees and Compensation	2
Performance-Based Fees and Side-By-Side Management	4
Types of Clients	4
Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Disciplinary Information.....	10
Other Financial Industry Activities and Affiliations.....	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Brokerage Practices	13
Review of Accounts	14
Client Referrals and Other Compensation.....	15
Custody	15
Investment Discretion	15
Voting Client Securities.....	15
Financial Information.....	16
Supplemental Information About Certain Principals of KRG Capital Management	16

ADVISORY BUSINESS

KRG Capital Management, L.P. (“KRG Capital Management” or the “Adviser”), a Delaware limited partnership and a registered investment adviser, is a private investment management firm that provides investment advisory services to private investment funds. KRG Capital Management commenced operations in April 2001.

KRG Capital Management, through its separate series, serves as the general partner of KRG Capital Fund II, LP (together with all parallel investment vehicles, “Fund II”), KRG Capital Fund III, LP (together with all parallel and alternative investment vehicles, “Fund III”), and KRG Capital Fund IV, LP (together with all parallel and alternative investment vehicles, “Fund IV”), all Delaware limited partnerships (together with any future private investment fund managed by KRG Capital Management, the “Private Investment Funds”). In its capacity as the general partner of Fund II, Fund III, and Fund IV (collectively, the “KRG Funds”), KRG Capital Management has the authority to manage the business and affairs of the KRG Funds, including making all investment decisions. The KRG Funds and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. KRG Capital Management’s investment advisory services to the KRG Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, the Managing Directors, or other personnel of the Adviser may serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the KRG Funds.

KRG Capital Management’s advisory services for Private Investment Funds are detailed in the applicable private placement memoranda and limited partnership agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

As of December 31, 2010, KRG Capital Management managed \$2.8 billion in client assets on a discretionary basis. KRG Capital, LLC, a Delaware limited liability company, acts as the general partner of KRG Capital Management. KRG Capital Management is not controlled by any one investor owning more than 15% of the entity.

FEES AND COMPENSATION

In general, KRG Capital Management receives a management fee and a carried interest in connection with advisory services. KRG Capital Management receives additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to KRG Capital Management. Investors in the KRG Funds also bear certain fund expenses.

Management Fees

The KRG Funds will pay KRG Capital Management a management fee (the “Management Fee”) equal to a maximum of 2.0% of the capital commitments of any fund investor (subject to reduction over time and to potential reductions due to waivers and offsets under certain circumstances) commencing from the initial closing of a KRG Fund (whether or not a fund investor was admitted at an initial or subsequent closing) until all portfolio investments are distributed. The Adviser may from time to time elect to receive a credit to its capital account in the KRG Funds in lieu of actual payment of such management fee. In addition, the Adviser will retain a pre-determined percentage of all transaction fees, monitoring fees and break-up or similar fees paid to KRG Capital Management or its affiliates by, or that relate to, any portfolio company or any prospective portfolio company. Such percentage is 50% for fees received from Fund II companies, 35% for fees received from Fund III companies, and 20% of transaction fees and 0% of monitoring fees received from Fund IV companies.

Carried Interest

KRG Capital Management will receive a carried interest with respect to the KRG Funds equal to 20% of all realized profits in excess of an 8% compound preferred return as more fully described in the Partnership Agreement. The carried interest distributed to KRG Capital Management is subject to a potential giveback at the end of life of the respective KRG Fund if KRG Capital Management has received excess cumulative distributions.

It is expected that any future Private Investment Funds will have a similar fee structure.

Other Information

KRG Capital Management and/or its affiliates may exempt certain investors in Private Investment Funds from payment of all or a portion of Management Fees and/or carried interest, including the Adviser and any other person designated by the Adviser. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by KRG Capital Management and/or its affiliates, or through other private investment vehicles that co-invest with the KRG Funds.

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

Principals or other employees of KRG Capital Management may receive a portion of the Management Fee, carried interest or other compensation received by KRG Capital Management or its affiliates.

In addition to the Management Fee and carried interest payable to KRG Capital Management, the KRG Funds bear certain expenses. As set forth in the Partnership Agreements, the KRG Funds bear all expenses relating to the operations, activities and investments of the KRG Funds to the extent not paid by portfolio companies, including (i) costs incurred or

attributable to evaluating, investigating, analyzing, negotiating, or acquiring any portfolio company (whether such acquisition is consummated or unconsummated), (ii) costs incurred disposing of any portfolio company, and (iii) all legal, accounting, investment banking, travel, consulting, brokerage, finder's fees, custody, transfer, registration, insurance, advisory board, interest, taxes, extraordinary expense and other similar fees and expenses. Expenses of the KRG Funds specifically exclude expenses related to KRG Capital Management's day-to-day management and administration of the KRG Funds (such as compensation of its employees, rent, utilities and general office expenses). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," KRG Capital Management receives a carried interest allocation on certain realized profits in the KRG Funds. KRG Capital Management does not advise Private Investment Funds not subject to a carried interest, although it may waive carried interest with respect to certain affiliated partners as described under "Fees and Compensation."

TYPES OF CLIENTS

KRG Capital Management provides investment advice to Private Investment Funds, including the KRG Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of KRG Capital Management and its affiliates. From time to time, investors in the KRG Funds, affiliates of the Adviser, and/or other persons may co-invest side-by-side with the KRG Funds in portfolio companies. Under certain circumstances, the Adviser may have discretion with respect to co-investment acquisitions or dispositions. Co-investors do not pay a fee for services or a carried interest to the Adviser.

The KRG Funds generally have a minimum investment amount of \$5 million for third-party investors, and KRG Fund interests are offered and sold solely to qualified purchasers, accredited investors who are also qualified clients or qualified knowledgeable KRG Capital Management personnel. Such minimum investment amount may be waived by KRG Capital Management in its capacity as general partner or managing partner of a KRG Fund through its separate series.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

KRG Capital Management is a private equity investment firm specializing in acquiring controlling interests in middle-market companies and growing them into significantly larger enterprises through the combination of internal growth and selective strategic add-on

acquisitions. *There can be no assurance that KRG Capital Management will achieve the investment objectives of the KRG Funds and a loss of investment may be possible.*

Investment and Operating Strategy

KRG Capital Management's investment strategies are focused primarily on buy-and-build investment opportunities. Using information derived from both internal and external sources, the Adviser generally looks for "niche" industry sectors positioned to benefit from macro-economic and demographic trends. Sources include, but are not limited to, research provided by institutions and the brokerage community, internally and externally generated analyses of potential opportunities, industry and trade publications, as well as direct contacts with management of potential portfolio companies and related due diligence. It is expected that the KRG Funds will focus on investments in middle-market companies in specialty or "niche" sectors within the distribution, manufacturing and service industries.

KRG Capital Management seeks to identify attractive platform companies in these "niche" sectors for investment by the KRG Funds. After an initial investment in a platform company, the Adviser generally will seek to participate with management of the company to formulate a growth and acquisition strategy. The Adviser will often seek management rights in connection with its investments, including board or observer rights.

Investment opportunities are subject to a preliminary screening by at least two Managing Directors of the Adviser or the general partner of the Adviser. Potential investments that are judged to meet the Adviser's stated investment objectives for a KRG Fund are then subject to a due diligence review. In connection with an investment opportunity, the Adviser assembles a due diligence team, which includes at least one Managing Director and a group of external specialists in areas such as environmental, insurance, accounting, legal and employee benefits. Investments are subject to final approval by the Investment Committee (see "Supplemental Information About Certain Principals of KRG Capital Management") based on an internally prepared memorandum that details, among other factors:

- projected return on the investment,
- industry attractiveness review,
- competitive review of industry,
- valuation of company,
- management team depth and experience assessment,
- type of security offered, and
- deal sponsor incentives.

The Adviser may also receive information regarding investment opportunities from financial services companies or intermediaries, including companies and individuals affiliated with the Adviser

Risks of Investment

The KRG Funds and their investors bear the risk of loss that KRG Capital Management's investment strategy entails. The risks involved with KRG Capital Management's investment strategy and an investment in the KRG Funds include, but are not limited to:

Business Risks

Because the KRG Fund's investments primarily consist of securities issued by privately-held, unseasoned companies, operating results will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Leveraged Investments

The KRG Funds' portfolio companies may be highly leveraged. Recessions, a rise in interest rates, operating problems and other business and economic conditions may have a more pronounced effect on the profitability or survivability of highly leveraged companies. In addition, rising interest rates may increase portfolio company interest expense. In the event any portfolio company cannot generate adequate cash flow to meet its debt service obligations, the KRG Fund may suffer a partial or total loss of its investment in such company.

Investment Performance

The performance of KRG Capital Management's prior investments is not necessarily indicative of the KRG Funds' future results. While KRG Capital Management expects that the KRG Funds will make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. With respect to the KRG Funds' unrealized investments, no assurance can be given as to the actual values that may ultimately be realized in any transaction, if and when effected.

Investment in Junior Securities

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

Concentration of Investments

Each of the KRG Funds will participate in a limited number of investments and a KRG Fund may seek to make several investments in one industry or one industry segment. As a result, a KRG Fund's investment portfolio could become highly concentrated and its aggregate return may be affected substantially by the performance of a few holdings. Furthermore, to the extent that the capital raised is less than the targeted amount, the KRG Funds may invest in fewer portfolio companies and thus be less diversified. With respect to any future Private Investment Funds, because the Private Investment Fund's diversification limitations are intended to operate with respect to the targeted commitment amount, the limitations will not be applicable until the end of the subscription period. Prior to the final closing date, therefore, most or all of the Private Investment Fund's capital may be concentrated in as few as one portfolio company.

Lack of Sufficient Investment Opportunities

It is possible that one or more the KRG Funds will never be fully invested if enough attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, limited partners will be required to pay Management Fees based on the entire amount of their capital commitments.

Illiquidity; Lack of Current Distributions

An investment in the KRG Funds should be viewed as illiquid. It is uncertain when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, KRG Capital Management generally does not expect the sale of an investment to occur until a number of years after that investment is made. Typically, there will be no return on any investment prior to a sale of that investment. Furthermore, the expenses of operating the KRG Funds (including the Management Fees) may exceed the KRG Fund's income, in which case expenses will be paid from capital to the extent of any excess.

Limited Transferability of Partnership Interests

There will be no public market for the KRG Funds interests, and none is expected to develop. There are substantial restrictions upon the transferability of the KRG Funds interests under the Partnership Agreements and applicable securities laws. In general, withdrawals of KRG Funds interests are not permitted. There is currently no efficient market for limited partner interests in the KRG Funds and it is not expected that one will develop.

Restricted Nature of Investment Positions

There will be no readily available market for a substantial number of the KRG Funds' investments, and hence most of the KRG Funds' investments will be difficult to value. Certain investments may be distributed in kind to the investors.

Reliance on KRG Capital Management and Portfolio Company Management

Control over the operations of the KRG Funds will be vested entirely in KRG Capital Management, and the KRG Funds' future profitability will depend largely on the business and investment acumen of the Managing Directors of KRG Capital Management. Investors in the KRG Funds generally have no right or power to take part in the management of the KRG Funds, and as a result the investment performance of the KRG Funds will depend entirely on the actions of KRG Capital Management. Although KRG Capital Management will monitor the performance of each of the KRG Funds' investments, the primary responsibility for the day-to-day management and operations of each portfolio company will rest with each portfolio company's management team. Although KRG Capital Management intends to invest in companies with strong management, there can be no assurance that the management of the KRG Fund's portfolio companies will operate these companies successfully.

Director Liability

The KRG Funds typically receive the right to appoint representatives to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the KRG Funds' representatives, and ultimately the KRG Funds, to potential

liability. Although portfolio companies generally have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

Projections

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

Foreign Investments

Subject to certain limitations, the KRG Funds may invest in companies that are based and operate outside of the United States. Investments in foreign securities involve certain risks not typically associated with investing in United States securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various foreign currencies in which the KRG Funds' foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another, (b) differences between the United States and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation and (d) the possible imposition of foreign taxes on income and gains recognized with respect to such securities.

Availability of Debt Financing

The debt markets have experienced significant volatility, resulting at times in less available total leverage and more restrictive and expensive financing terms and conditions. While credit availability loosens and tightens during various times in a business cycle, KRG Capital Management expects this volatility could continue into the future, and cannot predict how it will impact the performance of investments in the KRG Funds.

Risks Associated with Future Acquisitions

As part of the KRG Funds' buy and build strategy, the KRG Funds' platform companies will seek add-on acquisitions that enable them to expand their existing product lines or services, broaden their geographic coverage and/or allow them to offer complementary products or services. There can be no assurance that the companies in the KRG Funds' portfolios will be able to acquire businesses on satisfactory terms or that any business acquired by a platform company will be integrated successfully into that company's operations or be able to operate profitably. Future acquisitions could require additional financing, which could result in an increase in a platform company's indebtedness.

Significant Default Penalties

The KRG Funds' Partnership Agreements contain significant penalties in the event a limited partner defaults on its capital commitment or other payment obligations. For example, the defaulting limited partner may be required, among other things, to forfeit a substantial portion of its capital account and rights to future profits (but not losses) that otherwise would have been allocable to the limited partner and/or KRG Capital Management may designate a person or entity to assume the entire unpaid balance of the defaulting limited partner's capital commitment and to succeed to all of the rights of the defaulting limited partner's interest. In addition, KRG Capital Management may take other actions provided in the KRG Fund's Partnership Agreement and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting limited partner.

Indemnification

KRG Capital Management and certain related persons are entitled to indemnification from the KRG Funds, except under certain limited circumstances. Any money paid to KRG Capital Management or certain related persons will reduce amounts that would otherwise be payable to the limited partners.

Imposition of Tax Regardless of Cash Distributions

Partners will be required to recognize for income tax purposes their pro rata share of the taxable net income of the KRG Funds whether or not the Partners receive distributions from the Partnership to cover such tax liabilities. The General Partner may distribute amounts sufficient to cover the Partners' income tax obligations related to the Partnership to the extent of available cash, but there is no assurance that the General Partner will be able to do so. The Partnership may generate taxable income for a Partner even though the value of the Partner's interest in the Partnership has declined.

Uncertain Economic and Political Environment

The current global economic and political climate is one of uncertainty. Recent acts of terrorism, the threat of additional terrorist strikes, war in various strategic locations in the world and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. The climate of uncertainty increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections.

Conflicts among Limited Partners

An investment in the KRG Funds may involve complex tax, structural and other considerations that may differ for individual investors. Furthermore, it is possible that individual investors may have conflicting interests with regard to the nature of investments made by the KRG Funds and the structuring and realization of such investments. In selecting and structuring investments and divestments of the KRG Funds, consideration will be given to the interests of the KRG Funds rather than the interests of any particular investor.

Conflicts of Interest

During the commitment period of the KRG Funds, all appropriate investment opportunities will be pursued by KRG Capital Management principals through the KRG Funds, subject to certain limited exceptions. Without limitation, KRG Capital Management principals currently manage several similar investments in each of the KRG Funds, and may direct certain relevant investment opportunities to a particular KRG Fund. KRG Capital Management's principals and KRG Capital Management's investment staff will continue to manage and monitor such investments in the KRG Funds until their realization. Such other investments that KRG Capital Management principals may control in a KRG Fund may potentially compete with companies acquired by another KRG Fund. Following the commitment period of the current KRG Funds, KRG Capital Management principals may and likely will focus their investment activities on other opportunities and areas unrelated to the current KRG Funds' investments.

From time to time, KRG Capital Management will be presented with investment opportunities that would be suitable not only for one or more of the current KRG Funds, but also for other Private Investment Funds and other investment vehicles operated by advisory affiliates of KRG Capital management. In determining which investment vehicles should participate in such investment opportunities, KRG Capital Management and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. KRG Capital Management attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by KRG Capital Management's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the KRG Funds, other Private Investment Funds and such investment vehicles in a fair and equitable manner. Where necessary, KRG Capital Management consults and receives consent to conflicts from an advisory committee consisting of limited partners of the respective KRG Funds.

Because KRG Capital Management's carried interest is based on a percentage of net realized profits, it may create an incentive for KRG Capital management to cause the KRG Funds to make riskier or more speculative investments than would otherwise be the case. Since KRG Capital Management is permitted to retain certain supplemental fees (as described under "Fees and Compensation") in connection with the KRG Funds' investments, it could have a conflict of interest in connection with approving transactions.

DISCIPLINARY INFORMATION

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

KRG Capital Management is affiliated with another investment adviser registered with the SEC under the Advisers Act. This adviser is CMS Investment Resources, Inc. ("CMS"). CMS is a financial services firm that manages funds-of-funds and direct equity on behalf of high-net-worth individuals. A representative of CMS, Mr. William A. Landman serves on the Investment Committee of the general partner of the Adviser with respect to Fund II and Fund III.

Affiliates of CMS have (i) committed capital to Fund II, both through the Adviser and as a direct investor in Fund II and (ii) committed capital to Funds III and IV.

In addition, principals of the Adviser and First Analysis Corporation (“First Analysis” and, together with CMS, the “Related Partners”) have worked and invested together since 1996. First Analysis, which made capital commitments to the Adviser for Fund II and Fund III, is an investment banking and private equity firm founded in 1981 that manages or co-manages private equity funds. Mr. Hamilton, a Managing Director of the general partner of the Adviser, also served as a part-time managing director of First Analysis from 1999 to 2005. An affiliate of the Adviser is a non-controlling member of an affiliate of First Analysis that serves as the managing vehicle for a private equity fund.

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

KRG Capital Management has adopted the KRG Capital Management Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of KRG Capital Management principals and employees and addresses conflicts that arise from personal trading. The Code requires certain KRG Capital Management personnel to report their personal securities transactions, prohibits or requires pre-clearance for KRG Capital Management personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits KRG Capital Management personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from KRG Capital Management’s Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to Theresa Shelton, the KRG Capital Management Chief Compliance Officer, at (303) 390-5001. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

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

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

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

Pursuant to the partnership agreements and other organizational documents of the entities that comprise a KRG Fund, the Adviser generally must obtain the prior approval of an advisory committee consisting of representatives of certain investors in the KRG Fund for any purchase, sale or transfer of securities between a KRG Fund, on the one hand, and the Adviser or a related person, on the other hand, subject to certain exceptions.

From time to time, the KRG Funds, affiliates of the Adviser (subject to the requirements below), Related Partners and/or other persons may co-invest side-by-side with the KRG Funds in portfolio companies. Co-investment opportunities for investors generally arise when KRG Capital Management has determined that (i) the KRG Funds' allocation to a portfolio company has been fully met under the Funds' investment guidelines, (ii) the Adviser has determined that the amount available for investment in a portfolio company exceeds a prudent allocation to the KRG Funds and/or (iii) the Adviser determines that an allocation to an investor or third party would provide a strategic benefit with respect to a portfolio company and, accordingly, to the KRG Fund's ownership interest in the portfolio company. In determining which investors will be eligible for co-invest opportunities, the Adviser considers a variety of factors, including (i) the ability of the investor to provide strategic benefits to a portfolio company (such as specific industry or operational knowledge and/or expertise and access to additional financing), which are expected to benefit the KRG Fund's ownership interest in a portfolio company, (ii) the investor's ability to evaluate and consummate a transaction on the timeline of the KRG Funds and (iii) the size of an investor's commitment to a Private Investment Fund.

Additionally, through an annual co-investment provision, affiliates of the Adviser may co-invest in portfolio companies with the KRG Funds by designating an annual co-investment percentage (the "CIP") for the upcoming year. If an annual CIP is designated, the affiliates must invest an amount equal to that CIP in each portfolio company that the KRG Funds invest in during that year under substantially the same terms and conditions as the KRG Funds.

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

From time to time, KRG Capital Management may borrow funds on behalf of the KRG Funds or the Private Investment Funds and contribute such borrowed amounts to the KRG Funds (or relevant Private Investment Fund, as applicable) as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing is borne by the relevant KRG Fund (or the relevant Private Investment Fund, as applicable) as an expense of the relevant KRG Fund, consistent with the Partnership Agreement (or other governing document) and the expense policy described under "Fees and Compensation." In borrowing on behalf of a KRG Fund or a Private Investment Fund, KRG Capital Management is subject to

conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the KRG Fund or Private Investment Fund, as applicable. KRG Capital Management will transact such borrowings in a manner it believes to be fair and equitable to the KRG Fund or Private Investment Fund, as applicable, and consistent with KRG Capital Management's obligations to the KRG Funds and the Partnership Agreement (or other governing document).

BROKERAGE PRACTICES

KRG Capital Management focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, KRG Capital management may also distribute securities to investors in the relevant KRG Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although KRG Capital Management does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If KRG Capital Management sells publicly traded securities for a KRG Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by KRG Capital Management. In such event, KRG Capital Management will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, KRG Capital Management may consider a variety of factors, including: (i) the commission charged (taking into consideration the size of the order and the price of the security), (ii) the broker-dealer's execution capabilities with respect to the security and (iii) the broker-dealer's general reputation and ability to execute an order in appropriate time frame (i.e., the overall responsiveness of the broker-dealer).

KRG Capital Management has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although KRG Capital Management generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with KRG Capital Management seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although KRG Capital Management generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of KRG Capital Management's Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by KRG Capital Management, and brokerage

commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared between KRG Capital Management and its affiliates.

KRG Capital Management will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, KRG Capital Management may, in its discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where KRG Capital Management has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, KRG Capital Management would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

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

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

REVIEW OF ACCOUNTS

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, KRG Capital Management closely monitors companies in which the Private Investment Funds invests and generally maintains an ongoing oversight position in such companies. From time to time, Managing Directors or other personnel of KRG Capital Management may serve on a portfolio company's board of directors or otherwise act to influence management of companies held by the Private Investment Funds. In addition, the Investment Committee, composed primarily of senior officers of the Adviser, monitors and reviews investments of the KRG Funds on at least a quarterly basis. The KRG

Capital Management Chief Compliance Officer also periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The KRG Funds will provide to its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return and (iii) annual reports providing a narrative summary of the status of each portfolio company investment.

CLIENT REFERRALS AND OTHER COMPENSATION

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

From time to time, KRG Capital Management may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in the KRG Funds or other Private Investment Fund. Any fees and expenses payable to any such placement agents will be borne by KRG Capital Management indirectly through an offset against the Management Fee.

CUSTODY

KRG Capital Management maintains custody of the KRG Funds' assets held in each of the KRG Funds' names with the following qualified custodians: U.S. Bank National Association.

INVESTMENT DISCRETION

KRG Capital Management has discretionary authority to manage investments on behalf of the KRG Funds. As a general policy, KRG Capital Management does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, KRG Capital Management may enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in the KRG Funds may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. KRG Capital Management assumes this discretionary authority pursuant to the terms of the Partnership Agreements and powers of attorney executed by the limited partners of the KRG Funds.

VOTING CLIENT SECURITIES

KRG Capital Management has adopted the KRG Capital Management, L.P. Proxy Voting Policies and Procedures (the "Proxy Policy") to address how it will vote proxies, as applicable, for the KRG Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that KRG Capital Management votes proxies (or similar instruments) in

the best interest of the KRG Funds, including where there may be material conflicts of interest in voting proxies. KRG Capital Management generally believes its interests are aligned with those of the KRG Funds' investors through the principals' beneficial ownership interests in the KRG Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that KRG Capital Management may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant KRG Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, the relevant KRG Fund's advisory board may approve KRG Capital Management's vote in a particular solicitation. KRG Capital Management does not consider service on portfolio company boards by KRG Capital Management personnel or KRG Capital Management's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by KRG Capital Management when voting proxies on behalf of the KRG Funds. If you would like a copy of KRG Capital Management's complete Proxy Policy or information regarding how KRG Capital Management voted proxies for particular portfolio companies, please contact Theresa Shelton, the KRG Capital Management Chief Compliance Officer, at (303) 390-5001 and it will be provided to you at no charge.

FINANCIAL INFORMATION

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

SUPPLEMENTAL INFORMATION ABOUT CERTAIN PRINCIPALS OF KRG CAPITAL MANAGEMENT

The Investment Committee of KRG Capital Management, which is comprised of five Managing Directors for Fund II and Fund III, and 11 Managing Directors for Fund IV, determines general investment advice to be given to clients and supervises the Adviser's other investment professionals. Listed below are the five Managing Directors that serve on the Investment Committee for Funds II, III and IV, and who have the most significant day-to-day responsibility for advice provided to clients.

Mark M. King

Educational Background and Business Experience

Mr. King has been a Managing Director of KRG Capital Management since April 2001. Mr. King co-founded KRG Capital Partners ("KRG"), in 1996 and KRG Capital Partners, LLC ("KRG I") in 1999, both predecessor entities of KRG Capital Management. He served as a Managing Director of KRG and KRG I. Prior to forming KRG, Mr. King led numerous industry consolidations in areas such as industrial distribution, telecom, and engineering services, and was the co-founder of Industrial Services Technologies, Inc. ("IST"). Mr. King also served as President and Vice-Chairman of IST prior to its sale. Mr. King attended the University of Denver, Menlo College and the University of Oklahoma. Mr. King was born in 1960.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Mark King.

Other Business Activities

King Family Partners (“KFP”), an affiliated entity of Mr. King, owns an indirect, passive economic interest in Mainline West Fund Manager, LLC, the Managing Member of Mainline West Tax Advantaged Opportunity Fund I, LLC (“Mainline Fund I”). Mainline Fund I, a Delaware limited liability company, was formed for the sole purpose of investing in tender option bond residual certificates, and does not compete for investment opportunities with the KRG Funds. No joint venture exists between any of the Mainline entities or the Adviser.

Additional Compensation

Mark King does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of KRG Capital Management, Mr. King is part of a team that is responsible for implementing and overseeing the investment strategy of KRG Capital Management. Mr. King is not subject to the direct supervision of any other individual.

Bruce L. Rogers

Educational Background and Business Experience

Mr. Rogers has been a Managing Director of KRG Capital Management since April 2001. Mr. Rogers co-founded KRG in 1996 and KRG I in 1999. He served as a Managing Director of KRG and KRG I. Prior to co-founding KRG, Mr. Rogers was a partner with the law firm of Hogan & Hartson, L.L.P. from 1995 to 1996 and with Kirkland & Ellis prior to joining Hogan & Hartson, specializing in corporate mergers, acquisitions, leveraged buyouts and corporate finance. Mr. Rogers attended Florida State University, received his BBA from Stetson University and his law degree from Duke University. Mr. Rogers was born in 1962.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Bruce Rogers.

Other Business Activities

Bruce Rogers is not engaged in any investment-related business outside of his roles with KRG Capital Management and its affiliated investment advisers.

Additional Compensation

Bruce Rogers does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of KRG Capital Management, Mr. Rogers is part of a team that is responsible for implementing and overseeing the investment strategy of KRG Capital Management. Mr. Rogers is not subject to the direct supervision of any other individual.

Charles R. Gwirtsman

Educational Background and Business Experience

Mr. Gwirtsman has been a Managing Director of KRG Capital Management since April 2001. Mr. Gwirtsman co-founded KRG in 1996 and KRG I in 1999. He served as a Managing Director of KRG and KRG I. Mr. Gwirtsman served as a Senior Vice President with Fiduciary Capital Management Company from 1994 to 1996. Previously, Mr. Gwirtsman served as a Corporate Vice President with PaineWebber, Inc. in the Private Finance Group. He also served as an investment banker at E.F. Hutton. Mr. Gwirtsman earned a BA degree in English from Columbia University and an MBA degree in Finance from the University of Denver. Mr. Gwirtsman was born in 1953.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Charles Gwirtsman.

Other Business Activities

Charles Gwirtsman is not engaged in any investment-related business outside of his roles with KRG Capital Management and its affiliated investment advisers.

Additional Compensation

Charles Gwirtsman does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of KRG Capital Management, Mr. Gwirtsman is part of a team that is responsible for implementing and overseeing the investment strategy of KRG Capital Management. Mr. Gwirtsman is not subject to the direct supervision of any other individual.

Christopher J. Lane

Educational Background and Business Experience

Mr. Lane has been a Managing Director of KRG Capital Management since April 2001. He served as a Managing Director of KRG from 1997 and was a Managing Director of KRG I since 1999. Mr. Lane also served as Chief Financial Officer of White Cap Industries, Inc. from 1997 through March 2001. From 1992 to 1997, Mr. Lane worked in the firm of Kieckhafer, Lane & Schiffer L.L.P., where he became a partner responsible for the firm's attest practice and

managed the firm's M&A advisory practice. Mr. Lane earned a BA in Economics and an MBA in Management from the University of California, Irvine. Mr. Lane was born in 1961.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Christopher Lane.

Other Business Activities

Christopher Lane is not engaged in any investment-related business outside of his roles with KRG Capital Management and its affiliated investment advisers.

Additional Compensation

Christopher Lane does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of KRG Capital Management, Mr. Lane is part of a team that is responsible for implementing and overseeing the investment strategy of KRG Capital Management. Mr. Lane is not subject to the direct supervision of any other individual.

Charles A. Hamilton

Educational Background and Business Experience

Mr. Hamilton has been a Managing Director of KRG Capital Management since April 2001 and was a Managing Director of KRG I since 1999. From 1996 to 1999, Mr. Hamilton served as a special advisor to KRG. From 1999 to 2005, Mr. Hamilton also served as a Managing Director of First Analysis Corporation, a Chicago-based investment banking and private equity management firm, and in 2005 began devoting substantially all of his time to KRG Capital Management and KRG I. Prior to that, Mr. Hamilton was a Managing Director of Robertson, Stephens & Co. and a successor entity, RS Investment Management, for over 18 years. Mr. Hamilton graduated from the University of California, Berkeley with a Bachelor of Science Degree in Finance. Mr. Hamilton was born in 1948.

Disciplinary History

There are no legal or disciplinary events to disclose with respect to Charles Hamilton.

Other Business Activities

Charles Hamilton is not engaged in any investment-related business outside of his roles with KRG Capital Management and its affiliated investment advisers.

Additional Compensation

Charles Hamilton does not receive any additional compensation that is required to be disclosed.

Supervision

As a Managing Director of KRG Capital Management, Mr. Hamilton is part of a team that is responsible for implementing and overseeing the investment strategy of KRG Capital Management. Mr. Hamilton is not subject to the direct supervision of any other individual.