

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

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**This brochure provides information about the qualifications and business practices of KR Capital Advisors, Inc. (the “Company” or “KR Capital”). If you have any questions about the contents of this brochure, please contact us at (212) 888-6300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any securities authority.**

**Additional information about KR Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**KR Capital may refer to itself as a registered investment adviser with the SEC or indicate that it is registered as an investment adviser with the SEC. These references do not imply that KR Capital has a certain level of skill or training.**

## Item 2 Material Changes

### **Material Changes since the Last Update**

The SEC adopted amendments to Part 2 of Form ADV effective October 2010 which changes must be implemented by the Company by March 31, 2011. The amended Part 2 of Form ADV consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update. The Company is only addressing material changes since its last annual update which occurred in March of 2010. These material changes that have occurred since our last annual include conforming the Company's Brochure such that it meets the requirements of Part 2A which is materially different in structure and contains certain new information that the Company's previous brochure did not require.

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**Firm Description and Principal Owners**

KR Capital was formed in October of 1983 and registered as an adviser with the SEC in November of 1983. KR Capital is a privately held Delaware corporation whose principal shareholders (owning a combined 98% of the outstanding shares) are Edward D. Klein, Chairman/Chief Executive Officer/Portfolio Manager, and Martin E. Kaplan, President/Treasurer/Portfolio Manager. KR Capital provides portfolio management services to institutions and individuals. Advisory clients give KR Capital full discretion and authority to manage, invest and reinvest the assets that the clients have placed under KR Capital's supervision, subject to any investment guidelines and restrictions that may be established by the clients from time to time. KR Capital also serves as the general partner of KR Capital Partners I, LP (a registered investment adviser) (the "General Partner"), which is the general partner of KR Capital Partners Fund I, LP (the "Fund"), an investment limited partnership. As such, KR Capital indirectly provides investment advisory services to the Fund. Unless otherwise set forth herein, the discussion herein pertains specifically to KR Capital's advisory business as it relates to its managed account clients only.

**Types of Advisory Services**

KR Capital solely provides investment advisory services employing a concentrated large capitalization value portfolio management style focused on equity securities issued by United States or foreign companies that are traded on United States securities exchanges or in the United States over-the-counter market.

**Tailored Relationships**

Subject to client imposed guidelines and restrictions, KR Capital constructs the portfolios for each of its separately managed account clients in a uniform manner, with equivalent exposure to each of the investments. Separately managed account clients may impose restrictions on KR Capital's investment in certain securities or types of securities.

**Wrap Fee Programs**

KR Capital does not participate in a wrap fee program.

**Client Assets**

As of December 31, 2010 KR Capital had \$704.95 million in discretionary assets under management. As described above, KR Capital indirectly provides services to the Fund, which had \$108.21 million in assets at December 31, 2010. KR Capital does not have any non-discretionary client assets under management.

## Item 5 Fees and Compensation

### **Description**

The fees for KR Capital's services generally will be based on a percentage of the assets under management in a client's account. While compensation arrangements may be negotiated for various reasons and accordingly may vary, the basic fee schedule offered for services rendered to clients is 1% per annum for the first \$10 million of assets under management, .8% on the next \$10 million and .65% on the next \$30 million. For accounts with assets under management that exceed \$50 million, accounts that include performance incentives or for sub-advisory engagements, the client's fees will be negotiated.

KR Capital in its capacity as the general partner of the General Partner, receives a quarterly fee from the Fund for its provision of administrative services in the amount of 0.25% of the Fund's net asset value at the end of each fiscal quarter (1.0% per annum) (the "Administrative Fee"). KR Capital also bears all expenses incurred in the administration of the Fund (the "Administrative Expenses"), other than compensation to professionals for performing legal and accounting services for the Fund (which the Fund itself bears). The Administrative Fee may exceed the amount of Administrative Expenses.

### **Timing of Fees/Fees Deducted**

In general, the timing of KR Capital's fee payments is negotiated and some clients are billed quarterly in advance and others quarterly in arrears. KR Capital does not maintain custody of client assets and does not have the authority to direct the custodians to move funds from the accounts; accordingly KR Capital cannot and does not deduct fees from the client accounts under its supervision and rather submits a bill to the client. With respect to all clients, fees are pro-rated for partial periods. Should a client that is billed in advance terminate its investment advisory agreement prior to the end of the calendar quarter, fees paid in advance are refunded on a pro-rated basis using the ratio of business days not invested over total business days in the quarter.

The Administrative Fee charged to the Fund is payable in arrears and is deducted directly from the Fund assets on a quarterly basis.

### **Other Client Expenses**

Unless otherwise paid by the client, KR Capital's clients will cause to be paid out of the account under KR Capital's supervision all expenses incurred in connection with investments by the account, including, without limitation, brokerage commissions, "SEC fees" and other fees in connection with the acquisition or disposition of portfolio securities, taxes and custodial fees. (See Item 12 – Brokerage Practices)

### **Compensation for the Sale of Securities**

KR Capital does not accept compensation for the sale of securities or other investment products. (See Item 12 – Brokerage Practices).

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

While no such arrangements are presently in place, KR Capital is open to negotiating performance fee arrangements. In this instance, performance-based compensation (i) may create an incentive for KR Capital to make investments for the account of a client that are riskier or more speculative than would be the case in the absence of a performance incentive and (ii) the receipt of the performance compensation may result in increased compensation to KR Capital as performance compensation would be calculated with regard to unrealized appreciation as well as realized gains in a client's account.

**Description**

In general, KR Capital provides services to corporate, pension fund, foundation, endowment or other institutional clients as well as individual clients.

**Minimum Investment Requirements**

For institutional accounts, the minimum initial investment is \$5 million and for individual accounts the minimum initial investment is generally \$1 million. In connection with prospective sub-advisory engagements, minimum account requirements may be lower.

**Method of Analysis**

KR Capital will emphasize fundamental analysis in determining suitable investments for its clients. Through a careful study of fundamental factors such as earnings, cash flows, asset values, financial prospects, quality of management, competition within the industry, outlook for the industry, and the economy, etc., KR Capital will seek to evaluate the earnings potential of an investment and, in turn, its intrinsic value, and to determine whether the intrinsic value is above or below the actual price of the investment. KR Capital also considers various techniques of technical and monetary analysis to be valuable tools in the decision making process and in determining the timing of purchases and sales, although secondary in importance to fundamental analysis.

The sources of information to be used by KR Capital in evaluating investments will vary with the particular investment. However, generally KR Capital will use financial data services, financial newspapers and magazines, publicly available company prepared information (annual reports, prospectuses and press releases) and research materials prepared by others. In addition, to supplement this information, KR Capital will attend company-sponsored meetings and visit various companies. Industry organizations and governmental agencies may also be consulted.

**Investment Strategy**

KR Capital is a bottom up large capitalization value equity investment manager. KR Capital seeks to invest in quality companies with the capability of earning above average returns on capital over the long-term. These companies can provide for an attractive value investment opportunity at times when their prospects are obscured by macroeconomic factors, industry factors or company specific factors.

**Risks**

Investing in equity securities involves risk of loss that clients must be prepared to bear. The price of equity securities may rise or fall because of changes in the broad market (resulting from factors such as changes in economic or political conditions) or changes at the individual company level (changes in the company's financial condition or changes in the sector or industry in which the company operates).



Item 9      Disciplinary Information

There are no legal or disciplinary, criminal or civil actions, administrative proceedings or self-regulatory proceedings that have been initiated against KR Capital or any of KR Capital's management persons (which includes anyone with the power to exercise, directly or indirectly, a controlling influence over KR Capital's management or policies, or to determine the general investment advice given to KR Capital's clients) currently or in the ten years prior to the date set forth hereof.

**Broker-Dealer or Registered Representative**

Neither KR Capital nor any of KR Capital's management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor or Associated Person**

Neither KR Capital nor any of KR Capital's management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of any of the foregoing.

**Material Relationships**

As discussed in Item 4 of this brochure, KR Capital serves as the general partner of the General Partner. Since the General Partner is the general partner and investment manager to the Fund, KR Capital indirectly provides services to the Fund.

**Recommend or Select Other Investment Advisers**

KR Capital does not recommend or select other investment advisers for KR Capital's clients.

**Code of Ethics**

As an investment adviser, KR Capital stands in a position of trust and confidence with respect to its clients. Accordingly, KR Capital has a fiduciary duty to its clients. KR Capital has adopted a Code of Ethics, which has been accepted by all of its employees. The Code of Ethics sets forth policies with respect to standards of business conduct, personal trading, conflicts of interest and prevention of insider trading. Employees may not (a) engage in transactions or practices that defraud or deceive a client or prospective client; (b) knowingly sell any security to or purchase any security from a client when acting as a principal for his or her own account; (c) trade securities while in possession of material, non-public information or improperly communicate that information to others; and (d) transact in client securities on the same day as those transactions are executed for clients unless the client receives the lowest price on a purchase or the highest price on a sale.

A copy of KR Capital's Code of Ethics is available to any client or any prospective client upon request.

**Participation or Interest in Client Transactions and Personal Trading**

It is possible that KR Capital may recommend to clients the purchase or sale of securities in which KR Capital or an advisory representative of KR Capital, directly or indirectly, has a position or interest and that the timing or nature of action taken by KR Capital or an advisory representative of KR Capital for their own account with respect to such securities may differ from that recommended to clients. In order to identify and avoid possible conflicts of interest, KR Capital monitors (A) investment recommendations made to clients with respect to securities in which KR Capital or any advisory representative of KR Capital has a position or interest and (B) transactions by KR Capital or any advisory representative of KR Capital with respect to securities recommended to clients. In addition, where a purchase or sale of any security occurs on the same day for a client and KR Capital or an Advisory representative of KR Capital, the client will receive the lowest price on a purchase and the highest price on a sale where price differences occur. KR Capital/advisory representative trades may be aggregated with client trades producing an equivalent average price for both clients and KR Capital or its advisory representatives.

It is possible that KR Capital may recommend to clients the purchase or sale of securities that have been issued by companies that may be KR Capital advisory clients.

**Brokerage**

KR Capital generally determines the broker or brokers through whom securities transactions for client accounts are executed. KR Capital's selection of a broker takes into account such relevant factors as price; the broker's facilities, reliability and financial responsibility; the ability of the broker to effect securities transactions, particularly with respect to such aspects as timing, order size and execution of orders; and the research services provided by the broker to KR Capital, which are expected to enhance general portfolio management capabilities, notwithstanding that the particular client to whom the brokerage commission is charged may not be the direct or exclusive beneficiary of such services. In certain cases, a client may determine the broker or brokers through whom securities transactions for such client's account will be executed. On occasion, this may be accomplished by a "step-out" from the executing broker to the client's directed broker. The brokerage commissions paid to such client directed brokers may be higher or lower than those paid to brokers selected by KR Capital to effect securities transactions on behalf of KR Capital's other clients. KR Capital does not require, recommend or request that a client direct KR Capital to execute transactions through a specified broker-dealer and will do so only if requested by a client. By directing brokerage, KR Capital may be unable to achieve most favorable execution of client transactions which may cost clients more money and KR Capital may not be able to aggregate orders to reduce transaction costs.

KR Capital may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of (a) brokerage or (b) research services provided by the broker ("soft dollar items").

KR Capital does not use brokerage to pay for client referrals.

**Soft Dollar Items**

Soft dollar items may be utilized for the benefit of KR Capital's and its affiliate's accounts. KR Capital uses soft dollars to acquire soft dollar items that KR Capital or its affiliate would otherwise be obligated to provide to, or acquire at their own expense for, client assets under management. Nonetheless, KR Capital believes that such soft dollar items may provide clients with benefits by supplementing the research and services otherwise available to the Company.

Research services provided by brokers include industry reports, company reports, technical analysis, political analysis as well as third party quotation and other electronic data services that are used to assist in the investment decision making process and trade execution (Advent Software, Bloomberg, Interactive Data, Markets.com, NYSE, Omgeo, Russell, Thomson Financial, Wall Street Source and Zacks). Some of these services have mixed (research/non-research) uses. KR Capital uses its best efforts to determine the non-research component of the service and bears that cost itself.

Research services furnished by brokers through whom KR Capital effects securities transactions may be used in servicing all of KR Capital's accounts and not all such services may be used by KR Capital in connection with the accounts which paid commissions to the broker providing such services.

When KR Capital uses client brokerage commissions to obtain research or other products or services, KR Capital receives a benefit because KR Capital does not have to produce or pay for the research, products or services. Furthermore, KR Capital may have an incentive to select or recommend a broker-dealer based on KR Capital's interest in receiving the research or other products or services, rather than on KR Capital's clients' interest in receiving most favorable execution.

**Aggregation**

Generally, when KR Capital enters orders for trades executed on behalf of more than one of its clients for the same securities, the executed trades are aggregated to produce an average price for KR Capital's clients. KR Capital believes that this practice results in a more equitable execution price for its clients.

**Review**

As indicated in item 4 of this brochure, investment portfolios are not tailored to suit each client; rather managed accounts are constructed in a uniform manner with each client portfolio containing equal exposure to each holding (subject to any client imposed guidelines or restrictions). This allows KR Capital's two portfolio managers (who also serve as KR Capital's Chairman and President – see Item 4 herein) to simply continuously monitor all of the holdings in the “master” portfolio and review each account's performance relative to each other on a daily basis to ensure consistency of results.

**Client Reporting**

Unless a client requests otherwise, KR Capital supplies each client with a written performance report and a detailed portfolio appraisal report each month. Upon request, KR Capital will also provide written periodic narrative reports discussing the economic, geopolitical and company/industry/sector specific factors that played a roll in the relative performance of the client's portfolio.

Item 14      *Client Referrals and Other Compensation*

KR Capital compensates Fair Haven Partners, L.L.C. (“Fair Haven”) and Douglas Kaplan Consultants LLC (“DKC”) with respect to clients of KR Capital that had been introduced to KR Capital by Fair Haven or DKC, in each instance pursuant to the terms of a written agreement between each of them and KR Capital and in accordance with Rule 206(4)-3 of the Advisers Act. Fair Haven and DKC are independent contractors and have no corporate affiliation with KR Capital; however, Douglas L. Kaplan, the president of DKC, is the son of one of the principals of KR Capital. KR Capital pays a fee to Fair Haven and DKC equal to 20% of the fees received by KR Capital from clients solicited by Fair Haven or DKC, respectively. There is no additional fee charged to a client of KR Capital as a result of the arrangements with Fair Haven or DKC.

Item 15      *Custody*

KR Capital does not have custody of client funds or securities. Client funds and securities are held at custodians selected by KR Capital's clients and KR Capital merely has investment discretion over the assets within the accounts.

As mentioned in Item 4, KR Capital is the general partner of KR Capital Partners I, LP. KR Capital Partners I, LP is the general partner of the Fund and is deemed to have custody of the Fund's assets. KR Capital Partners I, LP uses the services of independent third party qualified custodians to maintain physical custody of the Fund's assets. An independent public accountant audits the books and records of the Fund annually and the audited financial statements are distributed to the investors in the Fund within 120 days of the Fund's fiscal year end.

Item 16      Investment Discretion

KR Capital's business is to manage investment account portfolios on behalf of its clients. KR Capital is granted investment discretion by operation of the investment advisory agreements signed between KR Capital and its clients. Clients may impose limits on KR Capital's investment discretion by providing written guidelines and restrictions, which may be updated and modified from time to time.



Item 17      Voting *Client* Securities

Where given authority, KR Capital will vote proxies on behalf of its clients. KR Capital will review all proxy materials relating to securities owned by its clients. Where a client has provided specific instructions or guidelines, KR Capital will vote proxies accordingly. Where no specific instructions or guidelines have been provided, KR Capital will vote proxies in the manner it believes will maximize the economic value of the applicable securities, and will serve the best interests of its clients. Should a conflict of interest regarding a particular security present itself, KR Capital will communicate the conflict with its clients and give the clients the option to vote the affected securities themselves. Proxy voting policies and procedures and information on how KR Capital has voted proxies are available upon request.

Item 18 Financial Information

KR Capital is not required to furnish a balance sheet under this section of the brochure.

No financial conditions exist that would impair KR Capital's ability to fulfill its contractual commitments to its clients.