

PART 2A FORM ADV

FIRM BROCHURE

KMCP Advisors II, LLC

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This brochure provides information about the qualifications and business practices of KCMP Advisors II, LLC (“KMCP” or the “Firm”). If you have any questions about the contents of this brochure, please contact Timothy Kelleher at 858-356-5183 or tkelleher@kmcpadvisors.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about KMCP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Being a “registered investor adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

KMCP Advisors II, LLC is no longer seeking or accepting new clients.

THIS BROCHURE IS NOT AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES. KMCP ADVISORS II, LLC WILL NOT ACCEPT ANY NEW CLIENTS.

Item 2. Material Changes

Not Applicable – This is KMCP’s first submission of the brochure.

Item 3. Table of Contents

Form ADV Item No.	Description	Page
ITEM 2.	MATERIAL CHANGES.....	2
ITEM 3.	TABLE OF CONTENTS.....	3
ITEM 4.	ADVISORY BUSINESS.....	4-5
ITEM 5.	FEES AND COMPENSATION	5-7
ITEM 6.	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7.	TYPES OF CLIENTS.....	7-8
ITEM 8.	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8-12
ITEM 9.	DISCIPLINARY INFORMATION.....	12
ITEM 10.	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS..	12
ITEM 11.	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	13-14
ITEM 12.	BROKERAGE PRACTICES.....	14-15
ITEM 13.	REVIEW OF ACCOUNTS	15
ITEM 14.	CLIENT REFERRALS AND OTHER COMPENSATION	16
ITEM 15.	CUSTODY.....	16
ITEM 16.	INVESTMENT DISCRETION	16
ITEM 17.	VOTING CLIENT SECURITIES	16-18
ITEM 18.	FINANCIAL INFORMATION.....	18

Item 4. Advisory Business

A. Organization and Ownership

KMCP Advisors II, LLC (“**KMCP**” or the “**Firm**”) is a Delaware Limited Liability Company that was organized in 2007 and is registering with the SEC as an investment adviser for the first time in 2012. The owners of KMCP are Timothy Kelleher and Douglas Meltzer. KMCP was formerly known as PCG Corporate Partners Advisors II, LLC, and changed its name on October 8, 2010.

B. Advisory Services

KMCP currently serves as the investment adviser to two private equity funds (each, a “**Fund**” and together, the “**Funds**”). The Firm no longer seeks to make new investments (other than to support existing portfolio companies) and will no longer raise new funds or accept new clients. The purpose of the Funds is to manage the existing investments.

The two Funds that are clients of the Firm are:

- CalPERS Corporate Partners, LLC (“**Fund I**”). Fund I is not accepting new investors. The investment period for Fund I has expired.
- KM Corporate Partners Fund II, L.P. (“**Fund II**”). Fund II is not accepting new investors. The investment period for Fund II has expired.

The Firm specializes in providing equity capital to middle-market companies to finance expansion opportunities. KMCP targets established middle-market companies with proven business models, defined growth opportunities and defensible market positions. KMCP’s capital is generally provided to finance strategic growth initiatives such as plant or geographic expansion, product development, or strategic acquisitions.

Investments are typically made in the form of structured equity securities, usually convertible preferred stock but also subordinated debt and common stock. The Firm does not acquire a controlling equity stake in companies. The Firm generally invests in North American-based companies in a wide variety of industries, including business services, consumer products, retail, industrials, and energy services. KMCP does not provide capital to companies focused primarily on high-technology, biotechnology, oil and gas exploration, or real estate. Additionally, the Firm does not target investments in start-up companies or companies without a proven business model, management team or in need of an operational restructuring.

C. Tailoring of Investment Advice

KMCP tailors its investment decisions for each Fund in accordance with the terms and restrictions of the applicable Fund's limited partnership or limited liability company agreement.

D. Wrap Fee Programs

The Firm does not participate in any wrap fee programs.

E. Assets Under Management

KMCP manages the assets of each Fund on a discretionary basis. As of December 31, 2011, the amount of assets managed by the Firm's on behalf of its Funds was \$299,913,255. The Firm does not manage any assets on a non-discretionary basis.

Item 5. Fees and Compensation

A. Compensation Structure

KMCP receives two types of compensation for its services to the Funds, asset-based fees and performance-based compensation.

Asset-Based Fees

Each Fund pays KMCP an annual management fee that is a specified percentage of either the limited partners' capital commitments or the Fund's invested capital. Management fee rates are typically in the range of 1.0% to 1.5% per annum of the Fund's committed capital. After the end of a Fund's investment period, management fee rates are typically in the range of 0.5% to 1.25% per annum of the Fund's invested capital.

Performance-Based Compensation

KMCP and /or its affiliates are entitled to receive distributions of carried interest from each Fund, generally equal to 10% of the applicable profits after capital contributions have been returned to the Funds' limited partners and the Funds' limited partners have received their applicable preferred return. Performance-based compensation received from the Firm's two Funds are currently structured as a percentage of investment gain commonly called "carry", after a preferred return. That is, KMCP only receives the "carry" after the limited partner has first received all of the money it has invested (which includes 100% of the monies invested into transactions (e.g. portfolio companies), plus 100% of the management fees and certain other expenses the limited partner has paid), plus a preferred return, typically equal to 8% of the money invested by the limited partner.

The specifics of each fee arrangement are negotiated for each Fund and are fully described in the limited partnership agreement or limited liability company agreement related to the specific Fund.

B. Method of Payment

On a quarterly basis the Firm requests capital from each Fund's limited partner for the prepayment of management fees. Management fees are then paid by the applicable Fund to the Firm or one of the Firm's affiliates. For Fund I, a percentage of any Transaction and Monitoring Fees as further described in **Item 5.C** below will be credited towards an offset of the Fund I's management fee. For Fund II, 100% of any Transaction and Monitoring Fees will be credited towards an offset of the Fund II's management fee.

Distributions of carried interest are deducted from the assets distributable to the applicable Fund's limited partners. Depending on the terms of each Fund's operative agreements, such distributions are paid upon an exit of a portfolio company investment upon which generates carried interest.

C. Other Fees

In addition to the compensation described in **Item 5.A** above, Depending on each Fund's operative documents, the Funds shall bear reasonable costs and expenses relating to each Fund's operations, activities and investments other than the Firm's expenses (including, without limitation (i) all costs and expenses incurred in or attributable to holding, managing, monitoring and disposing of investments, registration fees, expenses, finder fees, broker fees, bank and custodial fees, and Transaction Expenses), (ii) certain legal, accounting, consulting, audit and other fees (including the fees associated with the preparation of audited financial reports and tax returns), (iii) in certain circumstances costs of independent appraisers and any investment bankers (iv) legal fees and expenses, judgments, fines, damages or costs paid or incurred in prosecuting or defending administrative or legal proceedings brought by or against the Fund, the Firm or its affiliates or any limited partner (or paid in any settlement thereof) pursuant to and in accordance with its indemnification obligations (v) certain indemnification obligations (vi) any taxes applicable to the Fund on account of its activities, (vii) premiums for insurance protecting the Fund, the Firm or its affiliates; (viii) the costs of dissolving, winding up and terminating the Fund, (ix) the costs and expenses incurred by the limited partners, its employees, representatives and other agents in connection with any request by the Firm or its affiliates for the limited partner to grant its consent under the operative documents, regardless of whether such consent is in fact granted or in connection with meetings with the Firm or meetings with other persons as requested by the Firm to further the purposes of the Fund, (x) all of the Firm's out of pocket expenses incurred as a result of certain meetings with the limited partner, (xi) all of the limited partner out of pocket expenses related to originating, organizing, monitoring and analyzing the Fund, investments with the Fund, (xii) all expenses incurred for travel involving the Fund's investment activity, (xiii) the fees and expenses for bookkeeping services and preparation of annual and other reports, (xiv) certain costs of enhanced communications between the Firm and the representatives of the limited partner, as well as any other necessary equipment, and (xv) certain fees and expenses of the limited partner in conducting an examination of the Company's books, records, accounts and assets.

Further, the portfolio companies in which a Fund invests may pay directors' fees, transaction fees, investment banking fees, advisory fees, monitoring fees, break-up fees and other fees ("**Transaction and Monitoring Fees**") to the Firm, the general partner of the Fund or any of their respective employees in connection with the consummation, holding or disposition of a portfolio company investment or the termination of an unconsummated investment by the Fund. As noted in **Item 5.B** above, in general, a portion of such fees received by the general partner of the Fund (after a deduction for applicable expenses) will be credited toward an offset of the management fee.

D. Fees Payable in Advance

As described in **Item 5.B** above, all management fees are payable quarterly in advance. The Funds may not obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. If at the time of termination, any creditable fees have not been applied against management fees, the Firm shall return those fees to the limited partners of the Fund.

E. Compensation for the Sale of Securities

Neither the Firm nor any of its principals or employees accepts any compensation for the sale of securities or other investment products, including interests in the Funds. As described in **Item 5.C** above, the Firm may receive certain fees in connection with the portfolio investments of its Funds. These types of fees present potential conflicts of interest and provide KMCP's principals and employees with an incentive to pursue investments based on compensation received rather than the best interests of the Funds and their limited partners. To mitigate potential conflicts, a percentage of such benefits received by KMCP in connection with its services related to portfolio companies or transactions are generally offset against management fees payable by the related Fund.

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

As noted in **Item 5.A** above, affiliates of KMCP are entitled to receive distributions of carried interest from each Fund. A potential conflict of interest arises from this performance-based compensation as it may create an incentive for KMCP to favor certain investments on behalf of the Funds that are riskier or more speculative (but could have a higher return) than would be the case in the absence of a performance-based carried interest distribution. To better align interested, the Firm invests alongside the limited partner. For both Funds, the Firm invests 1% of the capital required for each investment opportunity.

Item 7. Types of Clients

KMCP's clients are two private equity funds as described in **Item 4** above. The Funds only have one investor, which is the same investor for both Funds. The investor is an "accredited investors" as defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"). The investor in each Fund is also a "qualified purchaser" as that term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). The investor in the two Funds is a large government pension plan in the United States.

All of the Funds are closed to new investors.

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

A. Methods of Analysis and Investment Strategies

A general overview of the significant methods of analysis and investment strategies utilized by the Firm on behalf of each Fund is set forth below. Investment returns in the Funds are not guaranteed. The instruments in which the Funds invest may lose value. An investment in a Fund involves a risk of loss that an investor in such Fund should be prepared to bear.

Methods of Analysis

KMCP maintains consistent discipline to make thorough, informed decisions throughout all phases of the investment process including transaction origination / screening, analysis, structuring, management, and exiting.

- **Originating /Screening Investments** – KMCP has developed specific, detailed criteria that are used to screen potential investment opportunities originated by each Fund. The Firm will ensure that an investment meets most of these initial requirements prior to committing time or capital to pursue an opportunity:
 - North American based companies
 - Proven business model, as evidenced by revenues and positive cash flow
 - KMCP investment used for well-defined growth initiative
 - Experienced and strong management team owning a significant equity stake and having interests aligned with KMCP
 - Market-leading industry position
 - Predictable revenues
 - Strong consistent cash flow
 - Pro-forma capitalization adequate to meet fixed obligations and growth requirements
 - A diversified customer base
 - The ability to withstand cyclical downturns
 - Potential for significant equity appreciation
 - Significant equity value junior to KMCP investment
- **Analyzing Investments** – Before making an investment, the Firm conducts an extensive due diligence investigation focused on understanding the critical success factors and major risks associated with an investment opportunity such as:
 - Growth strategy and opportunities
 - Detailed analysis of management including multiple on-site interviews and background checks
 - Extensive reference checks of board members, customers, suppliers and service providers
 - The quality of a company's product or service offerings

- Industry analysis including competition, positioning, trends and opportunities and, if necessary, consultation with industry experts or operating executives with relevant expertise
 - Evaluation of exit opportunities
 - Due diligence of financial statements, conditions and prospects, including analysis and review of historical revenues, margins and earnings, working capital, capital spending requirements, projections and related sensitivities
 - Legal due diligence including corporate formalities, contract review, litigation, employment matters, insurance and environmental reviews
- Structuring Investments – Each Fund makes investments typically through preferred stock. KMCP structures each investment in order to maintain a minority (non-controlling) equity stake and to align each Fund’s interests with other shareholders and management as much as possible. In these minority equity positions, it is important for KMCP to negotiate certain degrees of control over key areas of corporate governance, including capital spending, external financing, major corporate transactions, and exit events. The Firm endeavors to properly match the company’s pro-forma capitalization to its business plan and seeks to invest in companies with a low level of debt as compared to leveraged buyout transactions.
- Managing Investments – KMCP is integrally involved with each Fund’s portfolio companies from the initial investment through full realization of its invested capital. The Firm adds value during the investment period by offering management teams financial and strategic advice while respecting their operating autonomy. KMCP monitors its investments on a daily/weekly basis and meets at least quarterly with senior management of its portfolio companies to discuss the respective companies’ strategic, financial and operating performance. KMCP’s proactive assistance to these portfolio companies is designed to protect each Fund’s investments, while creating substantial returns. In cases where KMCP has more than one board seat, KMCP endeavors to fill that seat with an industry executive who can provide insights to the existing management team. KMCP makes significant contributions to the success of its portfolio companies and has assisted senior management in the following areas:
 - Strategic direction and planning
 - Introduction of new business contacts
 - Follow-on growth and acquisition capital and guidance
 - Raising capital for financings and recapitalizations
- Exiting Investments – Each Fund’s equity investments typically contain exit rights that permit a timely exit including public registration, put and co-sale rights. Typically, a Fund exits an investment within three to nine years from the date of its initial investment. The Firm intends to exit portfolio company investments through public sales of securities, private company sales, financings and recapitalizations. The Firm endeavors to maximize value in these capital markets transactions due to:
 - The transaction expertise of its investment professionals
 - Its detailed knowledge of management and the portfolio companies obtained through active post-investment monitoring

- Its extensive investment banking and sell side broker networks

Investment Strategy

The investment objective of the Firm is to achieve significant long-term capital appreciation for its Funds while exposing the Funds' capital to limited risk, particularly when compared to leveraged buyouts and venture capital. KMCP seeks superior risk-adjusted returns by investing in preferred equity securities of profitable, well-managed, middle-market companies. The Funds invest in senior equity securities, typically convertible preferred stock, with significant protective and control rights. Portfolio companies of the Funds will generally exhibit a number of attractive characteristics, including (i) proven management, (ii) strong margins, (iii) high returns on invested capital, (iv) consistent growth in revenues and cash flow, and (v) sustainable market positions. The Funds will invest in portfolio companies which require financing for identified growth opportunities, whether through organic expansion or through acquisitions.

KMCP considers a strong, experienced and entrepreneurial management team to be a critical factor for a successful investment. The Firm seeks high-caliber management teams, with a record of success, a vision and passion for their businesses and structures its investments such that operating management teams retain significant equity interests in their companies.

Many business owners will not sell control of their businesses to a private equity group but still require significant investment capital for their ongoing business needs. KMCP's non-control investment approach meets the investment needs of these owners and managers. This approach involves investing in companies with lower debt levels and using a security such as convertible preferred stock. Business owners who are seeking less dilutive forms of capital than traditional private equity may find this approach very compelling as they can retain equity control of their companies while receiving the support of KMCP as a financial sponsor.

B. Risk Considerations

Following is a description of various investment risks in the Funds advised by KMCP. Investors should note that the following does not summarize all of the risks that apply to an investment in a Fund.

Illiquidity, Long-Term Nature and Volatility of Investments. Many of the Funds' investments are highly illiquid, and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner, or at all. Investments are unlikely to generate current income, and the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, this will occur typically a number of years after the investment is made.

Reliance on Portfolio Company Management. Each Fund holds non-controlling interests in portfolio companies and has a limited ability to manage the activities of portfolio companies. Each investment's day-to-day operations will be the responsibility of such investment's management team. Although KMCP is responsible for monitoring the performance of each

investment and has invested in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the investment in accordance with the Funds' plans and/or objectives.

Market and General Economic Risks. Certain investments by the Funds may be in securities that are or become publicly traded. Such investments may involve economic, political, interest rate and other risks, any of which could result in an adverse change in the market price. In addition, in some cases the Funds may be prohibited by contract from selling certain securities for a period of time so that the Funds are unable to take advantage of favorable market prices.

Middle-Market Companies. Investments in middle-market companies such as those that each Fund invests in, while often presenting greater opportunities for growth, may also entail greater risks than are customarily associated with investments in larger companies. Smaller companies may have more limited product lines, markets and financial resources, less diverse customer base, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller companies, which may make realizations of gains more difficult.

Competitive Nature of the Firm's Business. The business of the Firm is highly competitive. KMCP competes for investment opportunities against other groups, including other investment firms, merchant banks and industrial groups, and KMCP may be unable to identify a sufficient number of attractive investment opportunities for a Fund to meet its investment objectives. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the owners of an investment target, consummating the transaction is subject to many of uncertainties, only some of which are foreseeable or within the control of KMCP.

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

Follow-On Investments. The Funds may be called upon to provide follow-on funding for its portfolio companies or may have the opportunity to increase its investment in such portfolio companies. There can be no assurance that a Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish a Fund's ability to influence the portfolio company's future development.

Risk of a Limited Number of Investments. Each Fund has its own concentration limit permitting between 10% to 30% of the Fund's total capital commitments to be invested in securities of a

single portfolio company or group of companies at any time. As a consequence, the aggregate return on an investor's investment in a Fund may be substantially adversely affected by the unfavorable performance of a single portfolio investment.

Non-Alignment of Interests with Other Shareholders. Each Fund invests into companies that have other shareholders, some of which may be other financial sponsors. Such investments may involve risks in connection with such third-party involvement, including the possibility that another shareholder may have financial difficulties, may have economic or business interests or goals that are inconsistent with those of a Fund, or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives.

C. Risks Associated with Particular Types of Securities

Please see the discussion in **Item 8.B.** above.

Item 9. Disciplinary Information

Neither the Firm nor any of its management persons has been subject to any legal or disciplinary events that, in the Firm's opinion, are material to the Firm's sole client's evaluation of the Firm's advisory business or the integrity of its management.

Item 10. Other Financial Industry Activities and Affiliations

A. Affiliated Broker-Dealers

Neither the Firm nor any of its principals or employees are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Affiliated Commodity Advisors

Neither the Firm nor any of its principals or employees 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 the foregoing entities.

C. Other Affiliations and Conflicts of Interest

As discussed in **Item 5.C** and **Item 6** above, affiliates of KMCP serve as a general partner to each Fund and are entitled to receive Transaction and Monitoring Fees and performance-based carried interest distributions from the applicable Fund. These types of fees present potential conflicts of interest and provide KMCP's principals and employees with an incentive to pursue investments based on compensation received rather than the best interests of the Funds and their limited partners. To mitigate potential conflicts, a percentage of such benefits received by KMCP in connection with its services related to portfolio companies or transactions are generally offset against management fees payable by the related Fund. Further, to better align interested the Firm has committed 1% of the amounts invested by the limited partner.

D. Recommendation of Other Investment Advisors

The Firm does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics

KMCP has adopted a Code of Ethics (the “**Code**”) pursuant to Rule 204A-1 under the Advisers Act which imposes ethical standards and duties on the principals, partners, officers, employees and other persons subject to KMCP’s control and supervision (collectively referred to herein as “**Supervised Persons**”). The Code is grounded on the principle that KMCP and Supervised Persons owe a fiduciary duty to KMCP’s clients and that the interests of the Funds must always be placed above the business, financial and personal interests of KMCP and any Supervised Persons. The Code sets forth standards of conduct expected of the Firm’s personnel, and it requires the Firm’s personnel to comply with applicable federal securities laws.

The Code prohibits all Supervised Persons from purchasing or selling, directly or indirectly, any security while in the possession of material non-public information regarding the security, whether or not this information was obtained in the course of employment. Our employees are prohibited from discussing material, non-public information with anyone outside of the Firm or its affiliates. The Code requires all Supervised Persons to pre-clear all securities trades (with some exceptions such as mutual funds and ETFs) with KMCP’s Compliance Officer, and to make timely filings of quarterly reports of transactions and annual reports of securities holdings so that they may be checked for compliance with the Code.

All employees are expected to be familiar with the Code and adhere to its provisions. The Firm provides each employee with a copy of the Code and any amendments thereto, and employees are required to provide a written acknowledgement that they have received the Code, as amended from time to time. KMCP may address violations of the Code by imposing sanctions it deems appropriate including, but not limited to, a letter of reprimand, disgorgement, suspension, demotion or termination of employment. The Code also requires any employee of the Firm to report potential violations of the Code promptly to the Compliance Officer. The Firm keeps records of reports and other information that Supervised Persons are required to provide under the Code.

The paragraphs above only represent a summary of certain key provisions in the Code. KMCP will provide copies of the Code to the Funds, investors in the Funds and other prospective clients upon request, at no charge.

B. Purchases and Sales of Securities in which the Firm has Material Financial Interest

Because affiliates of KMCP are the general partners of manager of the Funds, the Firm has a material financial interest in the securities in certain securities recommended to, owned by, or bought or sold by the Funds and will share in any profits or losses generated by such Funds’

investments. Before KMCP makes a recommendation that a Fund purchase or sell a security, all Supervised Persons that have beneficial ownership of such security at the time of such recommendation (not including an indirect interest by reason of their interest in a Fund) are required to disclose such interest to the Firm's Chief Compliance Officer.

Although the Firm's principals, employees and officers may buy and sell securities for their own account or the account of others, they may not, without the written consent of the Firm's Chief Compliance Officer, buy securities from or sell securities to the Funds.

C. Purchases and Sales of Securities by Clients and the Firm

Without the written consent of the Firm's Chief Compliance Officer, KMCP's Supervised Persons are prohibited from purchasing, selling or holding in any account in which they have a beneficial interest, any security held by the Funds.

D. Purchases and Sales of Securities by Clients and the Firm at the Same Time

See Item 11.C.

Item 12. Brokerage Practices

A. Selection of Broker-Dealers

Because KMCP advises private equity funds and investments are made on a negotiated basis typically into non-publicly traded securities, the Firm does not often execute trades with broker-dealers. On the occasions that the Firm executes trades on behalf of its Funds (usually when exiting an investment in a portfolio company after that company has completed an initial public offering), the Firm's employees must demonstrate compliance with broker selection, recordkeeping, and other requirements related to trading, including "best execution."

The Firm seeks the most advantageous terms for Fund trades. While trade price is often a significant quantitative factor in determining best execution, it is not the sole determining factor. When selecting a broker-dealer, the Firm considers a number of other factors including execution capabilities, commission rates, and responsiveness to the Firm. When evaluating broker-dealers for underwriting transactions, the Firm considers a different set of factors including expertise in a particular industry, network for selling securities, past success with public offerings and after-market trading, and fees / discounts. Although KMCP generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent.

KMCP has not entered into any soft dollar arrangements. However, the Firm may receive research products from brokers, dealers, and banks through which we execute portfolio trades. This is a benefit because the Firm does not have to pay for such research products. In circumstances in which we use such research, while the Firm may have an incentive to select or recommend such broker-dealer based on interest in receiving the research products, the quality

and ability to receive research does not factor into the selection of such brokers, dealers, and banks. Rather, the Firm looks at what is the most favorable execution for our clientele.

KMCP does not consider client referrals in selecting or recommending broker-dealers.

KMCP does not enter into directed brokerage arrangements, and the Firm does not anticipate that any of its clients will request directed brokerage arrangements.

B. Trade Aggregation

The Firm makes investments on behalf of each Fund in accordance with the stated investment objectives for the Fund. Purchases of securities are made with respect to each Fund individually.

Item 13. Review of Accounts

A. Account Review

KMCP considers the active and ongoing monitoring, review, and management of its portfolio company investments to be an essential element in its investment process. KMCP receives weekly, monthly, and quarterly reports from the Funds' portfolio companies relating to the companies' financial performance and achievement of key objectives. Once a week the Firm holds a meeting of all investment professionals in which the performance of its portfolio companies is reviewed. Moreover, KMCP closely monitors the operations and results of its portfolio companies and receives and analyzes material information relating to the portfolio companies on an ongoing basis. KMCP has established these procedures to better respond to growth opportunities and to anticipate financial difficulties or additional capital requirements of its portfolio companies.

B. Factors that Trigger an Account Review

Not applicable.

C. Account Statements

The Funds' limited partners receive written quarterly reports within 45-60 days of quarter end. These quarterly reports include updated valuations for each of the Funds' investments, performance reports for each portfolio company, and unaudited financial statements. The Funds' limited partner receives a written annual report (which includes audited financial statements) within 120 days of fiscal year end. Moreover, the limited partner in the Funds may receive certain additional information upon request, as set forth in the applicable Fund's limited partnership or limited liability company agreement.

Item 14. Client Referrals and Other Compensation

A. Benefits from Others for Providing Investment Advice

As described in **Item 5.C** above, the Firm may receive Transaction and Monitoring Fees in connection with the portfolio investments of its Funds. These types of fees present potential conflicts of interest and provide KMCP's principals and employees with an incentive to pursue investments based on compensation received rather than the best interests of the Funds and their limited partners. To mitigate potential conflicts, a percentage of such benefits received by KMCP in connection with its services related to portfolio companies or transactions are generally offset against management fees payable by the related Fund. Further, to better align interested the Firm has committed 1% of the amounts invested by the limited partner.

B. Client Referrals

The Firm does not directly or indirectly compensate any person for client referrals.

Item 15. Custody

It is KMCP's general policy to not have physical custody of any client assets. However, the Firm may be deemed to have custody of certain of the assets of the Funds and other clients because of the authority it or a related party has over such clients or their assets.

Item 16. Investment Discretion

KMCP has discretionary authority to manage each Fund, subject to the investment objectives, strategies and policies. For example, the Fund's operative documents prohibit investments in certain industries, including oil and gas exploration and real estate. These policies are set forth in the applicable Fund's limited partnership or limited liability company agreement.

Item 17. Voting Client Securities

A. Proxy Voting Authority

The Firm has authority to vote proxies on behalf of its clients and, in accordance with Rule 206(4)-6 of the Advisers Act, has adopted proxy voting policies and procedures to address how KMCP will vote proxies on behalf of each Fund. The policies are designed to ensure that proxies are voted to achieve maximum value in the best interest of each Fund and its investors, including when there may be material conflicts in voting proxies.

The Firm's clients cannot direct it how to vote in any solicitation.

The principals of the Firm will have the responsibility of reviewing, evaluating and voting proxies received by the Firm on behalf of the Funds. The Firm will use reasonable efforts to acquire information sufficient to allow for an informed and timely vote. For each proxy proposal received, the Firm will analyze the issues connected with that proxy, determine the probable

impact on corporate operations and vote the proxy in what it views to be in the best interests of its clients. In accordance with Rule 204-2, the Firm will document the basis for its voting decisions.

For routine matters, the Firm will typically vote in accordance with the recommendation of the company's management, directors, general partners, managing members or trustees (collectively, the "**Management**"), as applicable, unless, in the Firm's opinion, such recommendation is not in the best interests of the investing Funds. Routine matters are typically proposed by Management and meet the following criteria: (i) they do not measurably change the structure, management, control or operation of the company; (ii) they do not measurably change the terms of, or fees or expenses associated with, an investment in the company; and (iii) they are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company.

Non-routine matters involve a variety of issues and may be proposed by a company's Management or beneficial owners (*i.e.*, shareholders, members, partners, etc. (collectively, the "**Owners**")). These proxies may involve one or more of the following: (i) a measurable change in the structure, management, control or operation of the company; (ii) a measurable change in the terms of, or fees or expenses associated with, an investment in the company; or (iii) a change that is inconsistent with industry standards and/or the laws of the state of incorporation applicable to the company. For non-routine matters such as these, the Firm will generally cast proxies in favor of proposals that:

- Maintain or strengthen the shared interests of Owners and Management
- Increase shareholder value
- Maintain or increase shareholder influence over the issuer's Management
- Maintain or enhance the independence of the board of directors
- Maintain or increase the rights of shareholders

The Firm will generally cast proxies against proposals that have the opposite effect of those items listed above, particularly where it believes that a proposal will have a dilutive effect on the value of the underlying security. In addition, the Firm will vote against a proposal that it believes is not in the best interests of the Funds.

The Firm may occasionally be subject to material conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. The Firm and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. If at any time, the Firm becomes aware of a material conflict of interest relating to a particular proxy proposal, the Firm will handle the proposal by requiring the proposal to be reviewed by a proxy voting committee (the "**Proxy Voting Committee**") consisting of qualified employees and other affiliated persons with no real or apparent conflict of interest in casting a vote. The Proxy Voting Committee will determine how to vote the proxy in a manner consistent with the clients' best interest and document its determination (including its consideration of the conflict of interest). This documentation shall be maintained in the Firm's books and records.

A client may request and receive free of charge a copy of KMCP's proxy voting policies and procedures and information about how KMCP voted proxies.

Item 18. Financial Information

A. Prepayment of Fees

KMCP does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Financial Impairment

The Firm is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy Petition

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.