

Item 1 – Cover Page

**KM Capital Management, Ltd.**  
**1701 Directors Boulevard, Suite 370**  
**Austin, TX 78744**  
**P: 512-697-0290**

**June 27, 2011**

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

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

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

**Item 2 - MATERIAL CHANGES**

At least annually, this section will discuss only specific material changes that are made to the Brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this Brochure will be provided.

May 31, 2011

Revised and added to Item 10

Joseph Feste is a 50% owner of KM Capital Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP, and **KM Capital Venture Partners III**.

KM Capital Venture Partners, LP = interest in GAF Venture Partners LLC (receivables from Aperto bridge notes), GunnAllen Venture Partners XI (Aperto Investment), Jardinier Corporation stock, interest in Mongsourc USA, LLC, Itiva Networks stock, **Guardian; AuraSource; and American Pacific Rim**

**KM Capital Venture Partners III = consists of Romark Holdings**

**Joseph Feste and his wife are owners of Storehouse Lending, LLC. Storehouse Lending, LLC makes collateral based short term auto title loans. The loans are brokered by a Texas based credit service organization under Section 393 of the Texas Finance Code. The Credit Service Organization guarantees repayment to Storehouse Lending, LLC of all loan principal and interest. Clients have been solicited to invest in the program.**

Joseph Feste Supplement

Revised

**Other Business Activities**

Joseph Feste is a 50% owner of KM Capital Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP, **KM Capital Venture Partners III**. **Joseph Feste and his wife are joint owners in Storehouse Lending, LLC and have solicited other clients to invest in the business.** Clients of KM Capital may be solicited to invest in the partnerships. The partnerships were created to hold investments.

KM Capital Management, Ltd.

Item 3

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**Item 4 - ADVISORY BUSINESS**

- A. KM Capital Management, Ltd. (hereinafter referred to as “KM Capital”) was established in July of 2004. KM Capital is wholly owned by Joseph Feste.
- B. KM Capital offers the following advisory services. Each of the services is more fully described below.
- Asset Management
  - Financial Planning and Consulting Services
- C. KM Capital tailors the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities.

KM Capital will ask you to complete a Client Questionnaire and Risk Tolerance Questionnaire to assist KM Capital with obtaining information about your financial situation and history. Additionally, KM Capital will meet with you and conduct an interview to continue the due diligence process. The information gathered by KM Capital will assist KM Capital to provide you with the requested services and customize the services to your financial situation. Depending on the services you have requested, KM Capital will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
  - Investment objectives
  - Investment horizon
  - Financial needs
  - Cash flow analysis
  - Cost of living needs
  - Education needs
  - Savings tendencies
  - Other applicable financial information required by KM Capital in order to provide the investment advisory services requested.
- D. KM Capital does not participate in any wrap fee programs.
- E. As of December 31, 2010, we have approximately \$24 million of client assets under our discretionary management. KM Capital does not have assets under management on a non-discretionary basis.

**KM Capital Asset Management Program**

Upon KM Capital completing its analysis of your situation, KM Capital will determine an asset allocation customized to your financial goals, objectives and risk tolerance and implement the allocation.

## KM Capital Management, Ltd.

KM Capital provides continuous and ongoing management of your account. KM Capital will manage the account on a discretionary basis and make changes to the allocation as deemed appropriate by KM Capital. KM Capital will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. KM Capital may actively trade securities and hold such holdings for periods of 30 days or less or maintain positions for longer or shorter term periods. Discretionary authority will be granted by you to KM Capital by execution of the Asset Management agreement.

Your portfolio will be invested in a variety of investment products, including but not limited to, load and no-load mutual funds (load mutual funds are purchased at net asset value "NAV"), stocks, bonds, precious metals, and money market accounts or other cash equivalents.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

Generally securities transactions will be directed through US Bank or the broker/dealer where client's account is maintained. However, KM Capital may direct equity and/or fixed income securities transactions to other broker/dealers such as RBC Dain Rauscher. KM Capital has a relationship with a RBC Dain Rauscher broker, Bryan Boynton. Mr. Boynton is related to Joseph Feste. KM Capital may direct trades through the Mr. Boynton and Mr. Boynton will be paid commissions for any transactions directed by KM Capital. Trading costs may be higher or lower at RBC Dain Rauscher than other broker/dealers.

### **Financial Planning and Consulting Services**

KM Capital offers a range of financial services to clients including financial, estate, real estate and retirement planning services.

KM Capital will schedule a meeting with you and present the analysis of your situation and recommendations for steps to be taken to assist you to work toward financial goals.

Plans are based on your financial situation at the time and are based on financial information disclosed by you to KM Capital. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. KM Capital cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify KM Capital promptly of the changes.

You are advised that the advice offered by KM Capital may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

KM Capital Management, Ltd.

You are not obligated to implement advice through KM Capital or Advisory Representatives. Should you implement the plan with KM Capital’s Advisory Representatives commissions or other compensation may be received in addition to the advisory fee paid to KM Capital.

**General Information**

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

**Item 5 - FEES AND COMPENSATION**

**KM Capital Asset Management Program**

- A. Fees are negotiable and are based on the complexities of the case, the amount of continuing in-depth financial analysis that may be required and the time estimated to manage client’s portfolio.

You may make additions to the account or withdrawals from the account, provided the account continues to meet minimum account size requirements. Additional assets deposited into the account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the calendar quarter. Generally, fee adjustments will be made for partial withdrawals from the account.

In no event shall the quarterly fee be less than \$300 per quarter. Therefore, you will pay the greater of \$300 per quarter or the fee calculated based on the fee schedule below.

*Equity and Balanced Portfolios*

<b>Account Size</b>	<b>Annual Fee</b>
\$0 to \$999,999	1.50%
\$1,000,000 to \$4,999,999	1.25%
\$5,000,000 to \$9,999,999	1.00%
\$10,000,000 and above	Negotiable
\$10,000,000	0.70%

*Fixed Income Portfolios:* 1.00%

KM Capital aggregates or households all of your managed accounts together to determine your quarterly fee.

KM Capital utilizes the following fee formula for calculating the quarterly fee:  
% x Account Value/365 days x the number of days in the calendar quarter

KM Capital may change the above fee schedule upon 30-days prior written notice to you.

## KM Capital Management, Ltd.

Additionally, KM Capital charges a performance based fee to those clients who qualify. Disclosure of the performance based fee is provided below under Item 6.

- B. KM Capital's advisory fee payable upon initial implementation of the account and all subsequent periods will be paid through direct debit of your account. Authorization for KM Capital to direct debit of the advisory fees from their account by written authorization contained in the advisory services agreement. Generally, advisory fees will be debited from the account within the first 10 business days of the beginning of each calendar quarter. You will be provided with a fee invoice that identifies the advisory fee, the value of the account and how the fee was calculated. Additionally, you will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the account does not contain sufficient funds to pay advisory fees, KM Capital has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to KM Capital, except for ERISA and IRA accounts.
- C. In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by KM Capital and are charged by the product, broker/dealer or account custodian. KM Capital does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with KM Capital and are compensation to the fund-manager.
- D. Advisory fees will be charged in advance of each calendar quarter. The quarterly advisory fee will be calculated based on the value of the Account on the last business day of the just completed calendar quarter. For accounts established during a calendar quarter, the initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter.

### Termination Provisions

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

### **Financial Planning and Consulting Services**

## KM Capital Management, Ltd.

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

Fees are negotiable. Your fees will be dependent on several factors including time spent with KM Capital, number of meetings, complexity of your situation, amount of research, services requested and staff resources.

KM Capital's maximum fee for planning and consultative services is \$2,500. Fees are due to KM Capital upon execution of the advisory agreement.

### Termination Provisions

You may terminate advisory services obtained from KM Capital, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with KM Capital. Thereafter, you may terminate investment advisory services with 30-days written notice to KM Capital. You will be responsible for any time spent by KM Capital. Any refund due will be calculated based on the time spent by KM Capital and the amount of work already performed.

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

KM Capital offers its Asset Management Program for a percentage fee based on the value of the account (i.e. an asset based fee) and a performance based fee as described below. The management services for accounts charged an asset based fee and those accounts charged a performance based fee will be the same. However, KM Capital has an incentive to favor those accounts participating in the performance based fee since KM Capital can earn much higher compensation. KM Capital has an incentive to utilize riskier strategies and to take advantage of investment opportunities for performance based accounts over accounts charged an asset based fee. There is no guarantee the strategies and/or investment opportunities will be successful and may result in account depreciation.

Clients are advised that performance based fee arrangements may be more costly to the client and the client's possibility of investment success is directly correlated with the possibility of investment loss including the possible loss of principal. There are not guarantees of investment success. KM Capital will take a more speculative and volatile management strategy. Similar investment management programs offering similar investment strategies may be available through other investment advisers at a lower cost.

Clients who qualify (must have either \$750,000 of assets under management or a \$1.5 million net worth exclusive of home and home furnishings) may participate in KM Capital's performance fee arrangement. KM Capital's performance fee will be based on a share of the capital gains and capital appreciation.

KM Capital's performance based fee schedule is as follows:

1% Annual Management Fee – calculated on a calendar quarterly basis in advance, plus



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20% of the profits realized at the end of each calendar year (i.e. profits above the cost basis or beginning value of the securities as of the first business day of each calendar year)

### **Item 7 - TYPES OF CLIENTS**

KM Capital's services are geared toward individuals both high net worth (i.e. clients with a net worth of \$1,500,000) and other than high net worth.

KM Capital generally requires a minimum amount of assets be deposited to an account for the purpose of obtaining asset management services. KM Capital will generally require you to deposit a minimum of \$500,000 (cash or securities). However, under certain circumstances, KM Capital may waive the minimum account size requirement and accept accounts less than \$500,000. Such circumstances may include but not be limited to additional assets will soon be deposited or you have other accounts under management with KM Capital. You are advised performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised. Performance of smaller accounts may vary from the performance of accounts with more dollars invested due to fluctuations in the market may affect smaller accounts more and the effects of compounding may be greater in larger accounts.

Additionally, KM Capital charges a minimum quarterly of the greater of \$300 per quarter or the fee calculated based in KM Capital's fee schedule disclosed under Item 5 Fees and Compensation under KM Capital Asset Management Program.

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

- A. KM Capital conducts fundamental analysis. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure.

KM Capital uses multiple investment management philosophies. KM Capital's investment strategies are flexible depending on the suitability of the client, the financial markets and the objective of the client. KM Capital uses a long term (i.e. purchases of securities held at least a year), short term (i.e. securities sold within a year), and active trading (i.e. securities sold within 30 days). Additionally, depending on the objective, risk tolerance and suitability factors of the client, KM Capital may engage in transactions involving margin (trading securities that an investor has bought with money borrowed from a broker for that purpose) and options.

- B. You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by KM Capital will require you to be prepared to bear the risk of loss and fluctuating performance.

KM Capital does not represent, warrantee or imply that the services or methods of analysis used by KM Capital can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past

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performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by KM Capital will provide a better return than other investment strategies.

- C. ETFs trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index.

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

These are some of the primary risks associated with the way we recommend investments to you, please do not hesitate to contact us to discuss these risks and others in more detail. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site. At the client's request at any time KM Capital will direct the client to the appropriate Web page to access the prospectus.

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

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

Margin – Using margin involves the use of leverage by borrowing money to purchase securities. If the price of the purchased security decreases, you risk losing significantly more money than your initial investment. Further risks are disclosed in the margin agreement you will sign before we engage your account in this activity.

Options – More complete disclosure of the risks associated with option trading can be found in the Characteristics and Risks of Standardized Options document. The document can be obtained from your account custodian or from KM Capital.

The option trading risks pertaining to options buyers are:

## KM Capital Management, Ltd.

1. Risk of losing your entire investment in a relatively short period of time.
2. The risk of losing your entire investment increases as the option goes out of the money (OTM) and as expiration nears.
3. Specific exercise provisions of a specific option contract may create risks.
4. Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

1. Options sold may be exercised at anytime before expiration.
2. Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
3. Writers of Naked Call Write risk unlimited losses if the underlying stock rises.
4. Writers of Naked Put Write risk unlimited losses if the underlying stock drops.
5. Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
6. Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
7. Writers of Naked Call Write are obligated to deliver shares of the underlying stock if those call options are exercised.
8. Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
9. Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
10. The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks mentioned are:

1. The complexity of some option strategies is a significant risk on its own.
2. Option trading exchanges or markets and option contracts itself are open to changes at all times. The availability and conditions of which are not to be taken to be permanent.
3. Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
4. Risk of erroneous reporting of exercise value.
5. If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
6. Internationally traded options have special risks due to timing across borders.

No investment strategy can avoid loss. Investing in securities involves risk of loss that you need to be prepared to bear.

### **Item 9 - DISCIPLINARY INFORMATION**

There is no reportable disciplinary information required for KM Capital or its management persons that is material to your evaluation of KM Capital, its business or its management persons.

**Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Joseph Feste is a 50% owner of KM Capital Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP, and KM Capital Venture Partners III. Clients of KM Capital may be solicited to invest in the partnerships. The partnerships were created to hold investments. The underlying investments are as follows:

KM Capital Venture Partners, LP = interest in GAF Venture Partners LLC (receivables from Aperto bridge notes), GunnAllen Venture Partners XI (Aperto Investment), Jardinier Corporation stock, interest in Mongsourc USA, LLC, Itiva Networks stock, Guardian; AuraSource; and American Pacific Rim

Venture Capital Partners II, LP = currently holds: 1) Investment in Guardian Technologies International, Inc.; 3 "units" where each Unit consists of 125k shares of CS, 125k Class F Warrants, & 125k Class G Warrants; 2) Itiva Networks stock; and Applied Visual.

KM Capital Venture Partners III = consists of Romark Holdings

Joseph Feste and his wife are owners of Storehouse Lending, LLC. Storehouse Lending, LLC makes collateral based short term auto title loans. The loans are brokered by a Texas based credit service organization under Section 393 of the Texas Finance Code. The Credit Service Organization guarantees repayment to Storehouse Lending, LLC of all loan principal and interest. Clients have been solicited to invest in the program.

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

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

**Code Of Ethics**

- A. KM Capital has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. KM Capital takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as KM Capital's policies and procedures. Further, KM Capital strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with KM Capital's Privacy Policy. As such, KM Capital maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of

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material non-public information about your transactions. Further, KM Capital's Code of Ethics establishes KM Capital's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.

- B. As stated above under Item 10, Other Financial Industry Activities and Affiliations, Joseph Feste is a 50% owner of KM Capital Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP, and KM Venture Partners III. Clients of KM Capital may be solicited to invest in the partnerships.
- C. KM Capital and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, KM Capital and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. KM Capital and its associated persons will not put their interests before your interest. KM Capital and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.
- D. KM Capital is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

### **Item 12 - BROKERAGE PRACTICES**

KM Capital has a relationship with US Bank ("US Bank") to enable clients to establish accounts with US Bank in order for KM Capital to manage the accounts.

You are not under any obligation to use US Bank. You may select another broker/dealer or account custodian. However, in order for KM Capital to provide management services, you must grant trading authorization to KM Capital and the account custodian or broker/dealer must accept trade instructions from KM Capital on your behalf. Clients who choose another broker/dealer or account custodian are advised that the broker/dealer must be able to provide duplicate statements and confirmations to KM Capital. Additionally, if possible, KM Capital should be given electronic access to the client's account for trading and account review purposes.

Generally securities transactions will be directed through US Bank or the broker/dealer where client's account is maintained. However, KM Capital may direct equity and/or fixed income securities transactions to other broker/dealers such as RBC Dain Rauscher ("RBC"). KM Capital has a relationship with a RBC Dain Rauscher broker, Bryan Boynton. Mr. Boynton is related to Joseph Feste. KM Capital may direct trades through the Mr. Boynton and Mr. Boynton will be paid commissions for any transactions directed by KM Capital. Trading costs may be higher or lower at RBC Dain Rauscher than other broker/dealers. Neither KM Capital nor Joseph Feste shares, directly or indirectly, in any portion of the compensation received by Mr. Boynton.

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If you select another broker/dealer or account custodian or request trades be directed through another broker, your trading costs may be higher and you may receive less favorable prices. You will not be able to participate in any aggregated orders submitted by KM Capital which often reduce transaction costs and can obtain more favorable pricing.

In initially selecting US Bank and RBC, KM Capital conducted due diligence. KM Capital's evaluation and criteria includes:

- Ability to service you
- Staying power as a company
- Industry reputation
- Ability to report to you and to KM Capital
- Availability of an efficient trading platform
- Execution capability
- Financial responsibility and viability
- Confidentiality and security of your information
- Other factors that may bear on the overall evaluation of best price and execution

You are advised there is an incentive for KM Capital and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not US Bank may make available to KM Capital other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts such as investment research. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at US Bank. In addition to investment research, US Bank also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

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

**Item 13 - REVIEW OF ACCOUNTS**

- A. If you are participating in the Asset Management Program you will be invited to participate in at least an annual review or as agreed by you and KM Capital. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. KM Capital conducts internal reviews on a continuous basis to determine whether to make any changes to client portfolios at the discretion of KM Capital. KM Capital will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which your assets are invested, and market shifts and corrections.

If you are participating in Financial Planning and Consultation Services you will not receive regular reviews. KM Capital recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision.

Joseph Feste conducts all reviews.

- B. You are advised that you must notify KM Capital promptly of any changes to your financial goals, objectives or financial situation as such changes may require KM Capital to review the portfolio allocation and make changes.
- C. You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. Upon your request, KM Capital will provide you with a consolidated report of your managed account. You should compare the report with statements received direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

**Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

- A. Product or service vendors recommended by KM Capital may provide monetary and non-monetary assistance with client events, provide educational tools and resources. KM Capital does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. KM Capital's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for you and KM Capital.
- B. KM Capital does not directly or indirectly compensate any person who is not a supervised person of KM Capital for referrals. Further, KM Capital does not receive an economic benefit from a non-client for providing investment advice or advisory services to you.

**Item 15 - CUSTODY**

## KM Capital Management, Ltd.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your account custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your account custodian maintains actual custody of your assets. You will receive account statements directly from your account custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them.

### **Item 16 - INVESTMENT DISCRETION**

You may grant KM Capital authorization to manage your account on a discretionary basis. Discretionary authority will give KM Capital the authority to buy, sell, exchange and convert securities in your managed accounts. You will grant such authority to KM Capital by execution of the advisory agreement. You may terminate discretionary authorization at any time upon receipt of written notice by KM Capital.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) If client's account does not contain sufficient cash to pay the quarterly investment advisory fees, KM Capital will take discretion to liquidate assets sufficient enough to cover the advisory fee.
- 4) KM Capital does not have the authority to withdraw clients' cash or securities, with the exception of deducting its advisory fee.
- 5) KM Capital will select the broker and/or dealer through which to execute securities transactions.
- 6) KM Capital often directs clients' securities transactions through a RBC Dain Rauscher broker who is related to Mr. Feste.

### **Item 17 - VOTING CLIENT SECURITIES**

KM Capital does not vote your securities. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact KM Capital about questions you may have an opinions on how to vote the proxies. However, the voting and how you vote the proxies is solely your decision.

### **Item 18 - FINANCIAL INFORMATION**

- A. KM Capital will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.
- B. As stated above, KM Capital has discretionary authority over client accounts; however that authority does not extend to the withdrawal of any client assets, with the exception of deduction of KM Capital's advisory fees from your accounts. We are financially stable. There is no financial condition that is likely to impair our ability to meet our contract actual commitment to you or any other client.



C. Neither KM Capital nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.

**Item 19 - REQUIREMENTS FOR STATE REGISTERED ADVISERS**

The formal education and business backgrounds of Joseph Feste is disclosed on the attached Supplements.

KM Capital is not actively engaged in any other business. Other businesses in which Joseph Feste is actively engaged are disclosed on the attached Supplements.

The principal executive officers and management persons have not been involved in any of the following.

An event involving an arbitration claim alleging damages in excess of \$2,500 involving:

- An investment or an investment related activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- an investment or an investment-related business or activity;
- fraud, false statement(s), or omissions;
- theft, embezzlement, or other wrongful taking of property;
- bribery, forgery, counterfeiting, or extortion; or
- dishonest, unfair, or unethical practices.

KM Capital does not have any relationship or arrangement with any issuer of securities.

**BROCHURE SUPPLEMENT**

**Joseph Feste**

**KM Capital Management, Ltd.  
1701 Directors Boulevard, Suite 370  
Austin, TX 78744  
P: 512-697-0290**

**June 27, 2011**

**This brochure supplement provides information about Joseph Feste that supplements the KM Capital Management, Ltd. brochure. You should have received a copy of that brochure. Please contact Joseph Feste, Member, if you did not receive KM Capital Management, Ltd.'s brochure or if you have any questions about the contents of this supplement.**

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

## Joseph Feste

### Educational Background and Business Experience

*Year of Birth:* 1964

#### *Education:*

Name of School	Years Attended	Year Graduated	Degree	Major
University of Texas	1983 to 1987	1987	BS	Economics

#### *Business Background:*

Name of Employer	Type of Business	Title	Period of Employment
KM Capital Management, Ltd.	Investment Adviser	Member, Advisory Representative	07/2004 to Present
Eltekon Securities, LLC	Broker/Dealer	Registered Representative	05/2004 to 09/2009

### Disciplinary Information

Joseph Feste is not subject to legal or disciplinary events that are material to a client or prospective client's evaluation of him or the services offered by him.

### Other Business Activities

Joseph Feste is a 50% owner of KM Capital Management, GP, LLC which is a general partner to KM Capital Venture Partners, LP, KM Capital Venture Partners II, LP, KM Capital Venture Partners III. Joseph Feste and his wife are joint owners in Storehouse Lending, LLC and have solicited other clients to invest in the business. Clients of KM Capital may be solicited to invest in the partnerships. The partnerships were created to hold investments.

Joseph is not actively engaged in any other investment-related business or occupation. Further, he is not actively engaged in any other business or occupation for compensation. "Actively engaged" is deemed to mean the business activity represents more than 10 percent of his time and income.

### Additional Compensation

Joseph Feste does not receive any economic benefit (i.e. sales awards and other prizes) for providing advisory services to a non-client.

### Supervision

Since Joseph Feste is the sole owner and the only Advisory Representative under KM Capital Management, Ltd., he is responsible for supervision and oversight of his activities. Joseph can be contacted at the number indicated on the cover page. Joseph has established a code of ethics for his business.

### Requirements for State-Registered Advisers

Joseph Feste has not been involved in any arbitration claim or civil, self-regulatory organization, or administrative proceeding involving an investment or investment-related business or activity, fraud, false statement(s), or omissions, theft, embezzlement, or other wrongful taking of property, bribery, forgery, counterfeiting, or extortion, or dishonest, unfair, or unethical practices. Additionally, he has not been the subject of a bankruptcy petition.