

KP ASSET MANAGEMENT, LLC

Form ADV Part 2A

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This Brochure provides information about the qualifications and business practices of KP Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer, Donald Babbitt, at (212) 661-2200 or donald.babbitt@kinetic-partners.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 KP Asset Management, LLC can be found on the SEC's website at www.adviserinfo.sec.gov.

Registration of an investment adviser does not imply that KP Asset Management, LLC, or any of our principals or employees, possesses a particular level of skill or training in the investment advisory business or any other business.

Item 2: Material Changes

This is the Firm's first brochure using the SEC's revised Form ADV Part 2A, and accordingly there are no material changes from prior filings to report.

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Item 4: Advisory Business

KP Asset Management, LLC ("**KPAM**", the "**Firm**", "**we**", "**us**", or "**our**"), a Delaware limited liability company, was formed in June of 2012. KPAM is owned directly by Kinetic Partners (US) Ltd.

We plan to provide investment advisory services to pooled investment vehicles, typically hedge funds, (hereafter, our "**Clients**" or "**Client Accounts**") in connection with the liquidation of the portfolios of assets. KPAM negotiates the replacement of the incumbent investment adviser to the Client Accounts and opportunistically divests portfolio assets during the liquidation wind-down process.

Where we must assume control of Client assets, we manage each account separately and only in accordance with the characteristics, investment objectives, strategies, restrictions and guidelines set forth in a management agreement with the Client, generally at the start of the wind-down process.

We anticipate that KPAM will qualify for registration with the U.S. Securities and Exchange Commission ("**SEC**") in the near future. KPAM will register as an investment adviser with the SEC as a "newly formed adviser" that expects to be eligible for SEC registration within 120 days. KPAM must represent that it (1) has a reasonable expectation that it will be eligible to register with the SEC within 120 days after the date that its registration becomes effective and (2) undertakes to withdraw from SEC registration if, on the 120th day after the date that KPAM's registration becomes effective, it would be prohibited from registering with the SEC for failure to meet the required threshold for registration.

We do not currently have assets under management but expect to manage assets that meet the SEC's threshold for registration within 120 days of our registration as an investment adviser with the SEC. We intend to update this brochure accordingly.

Item 5: Fees and Compensation

We plan generally to charge each Client Account a management fee, payable in advance on the first day of each quarter, at an annual rate ranging from 40 to 150 basis points of the net asset value of the Client Account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest). Some Clients may, however, arrange to pay their fees in arrears. Our management fees typically are negotiable and can vary based upon the assets in a Client Account and other factors. Most Clients authorize us in their investment management agreements to calculate our investment management fee and to require the custodian for the Client Account to pay our fee to us. If a Client's investment management agreement is terminated during a quarter, the unearned portion of our investment management fee (if paid in advance) is returned to the Client, based on the number of days in the quarter during which we provided our management services.

Clients also would pay for their organizational expenses (if any), as well as custodial, accounting, auditing, tax preparation, legal and trading expenses (including brokerage commissions) incurred in connection with the management of their Accounts. With respect to brokerage and other transaction costs, please see the discussion below under Item 12, "Brokerage Practices."

Item 6: Performance-Based Fees

KPAM generally earns a performance-based fee based on achieving certain targets as set forth in its management agreements. In addition, KPAM may earn a “distribution fee” based on the realization of the asset portfolio. The distribution fee will be calculated based on: (i) the timing of realizations (where discounts may be applied in regards to the timing of cash returns); or (ii) the ability of KPAM to achieve the sales price of the re-calculated net asset value (“NAV”).

Performance based fees may create an incentive to favor higher fee paying accounts over other accounts in the allocation of divestment opportunities. In order to address this potential conflict, we have adopted an allocation policy and implemented procedures designed to prevent this conflict from arising. Our allocation policy provides that transactions and investment opportunities shall be handled on a fair and equitable basis over time.

Item 7: Types of Clients

As discussed in Item 4, we plan initially to provide investment management services to pooled investment vehicles, primarily hedge funds. In the future, we may offer our services to separately managed account clients.

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

The nature of our analyses and investment strategies would vary depending on the business of the client that we are advising. KPAM utilizes the expertise of a team of professionals experienced in the realization of assets in order to accelerate distributions from existing investment portfolios on behalf of the current investors. KPAM develops a customized solution tailored to each portfolio realization.

KPAM works in the interest of its Client’s stakeholders to address: (i) illiquid investments; (ii) unresolved derivative structures; (iii) suspended redemption rights; (iv) out-of-date net asset value reporting; and (v) lack of transparency. KPAM concentrates on winding down illiquid portfolios rather than attracting new capital or making new investments for the Client Accounts.

Risk of Loss Factors

All investments entail a risk of loss, including substantial or even total loss. No assurances can be given that we will achieve our objective on behalf of our Clients, and our investment management performance may vary substantially over time and from period to period. In addition, the performance of Client Accounts may vary substantially as a result of differing restrictions and the employment of differing investment strategies.

The following are certain of the material risks involved in our investment strategy.

Limited Operating History

While our current advisory personnel have substantial experience in managing investments, and we expect that the personnel that we subsequently hire will also have substantial experience in managing investments, we are newly formed and do not have an operating history. Furthermore, the experience of our personnel may lie in different areas of investment management, utilizing different kinds of strategies, than the strategies that we will employ on behalf of any particular Client.

Use of Leverage

If a Client authorizes us to incur leverage in managing its assets, the Client Account's investment positions may be leveraged by borrowing funds from broker-dealers, banks or others. While the use of leverage presents opportunities for increasing the total return on a Client Account's investments, it has the effect of allowing larger investments in relation to the net value of the Client Account (which is determined by taking into account both the value of the Client Account's investments and the borrowings against those investments) and, therefore, of magnifying the effect of losses on the Client Account's NAV.

Derivatives Generally

Subject to restrictions established by our Clients, in the case of Client Accounts invested in a global investment strategy portfolio, a Client Account may be invested in traded derivative instruments, or "derivatives," including futures, options on stocks and futures, structured securities and other instruments and contracts that derive their value from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. Because the value of a derivative depends largely upon price movements in the underlying asset or assets, many of the risks applicable to trading the underlying assets are also applicable to derivatives of such asset. However, price movements in the underlying assets typically give rise to higher, and perhaps much higher, price movements in related derivatives, thereby exposing the investing Client Account to risks of substantial loss. In addition, certain kinds of derivatives may be traded in dealer markets that can, as noted below under "Illiquid Portfolio Investments," suffer from a lack of liquidity.

Non-Diversification

A Client may not be subject to limitations on the percentage of a Client Account's assets that may be invested in a particular security, commodity, industry sector or geographical region or to limitations in utilizing a strategy that from time to time takes a particular view (for example, long or short) concerning market prospects (either with respect to particular securities or commodities, industries, geographical areas or on a global basis). A Client Account's concentration in any of these respects can expose the Client Account to disproportionate risks in relation to the risks applicable to a more diversified portfolio, either by the nature of the portfolio's investments or the portfolio's exposure to a particular kind of market movement.

Illiquid Portfolio Investments

Subject to restrictions established by a Client, a Client Account may be invested in instruments that are thinly traded or traded on relatively illiquid markets. A Client Account may invest assets in debt securities that are traded on "dealer" markets rather than regulated exchanges; in such markets no participant is obligated to make a market that will provide liquidity to persons who wish to sell their securities. Furthermore, investments in certain securities, especially those of financially distressed companies, may require a long holding period prior to profitability. These and other factors may give rise to situations in which a Client Account position either cannot be readily sold or, if sold rapidly, must be sold at a substantial discount to the price that might otherwise be obtainable.

Non-U.S. Investments

Subject to restrictions established by a Client, Client Account assets may be invested in the securities of non-U.S. issuers or securities principally traded outside the United States. Such investments involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers, and the regulation of non-U.S. securities markets, particularly in emerging market countries, is frequently less comprehensive and less effectively administered than regulation in the United States and other developed country markets. The markets in the securities of some foreign governments and companies may be less liquid and at times more volatile than comparable U.S. markets.

Foreign Currency and Exchange Rate Risks

If Client Account assets are invested in securities that are denominated in a currency other than the U.S. dollar, changes in the applicable exchange rate may result over time from the interaction of many factors directly or indirectly affected by economic and political conditions. Changes in currency values may affect both the U.S. dollar value of the instruments in which a Client Account invests and the prospects of the issuers of those instruments. National governments may not allow their currencies to float freely in response to economic forces. Sovereign governments use a variety of techniques, such as intervention in the currency markets by a country's central bank, or imposition of regulatory controls or taxes, to affect the exchange rates of their currencies. We may use hedging techniques on behalf of a Client Account with the objective of protecting against loss resulting from fluctuations in the valuation of foreign currencies, particularly the forward market in foreign exchange, currency options and currency futures. For certain currencies, however, there may not be a reliable and cost efficient method of hedging currency risk. Consequently, currency exchange rate fluctuations, currency devaluations and exchange control regulations may adversely affect the performance of a Client Account's portfolio companies and the return realized on a Client Account's investments. The costs of currency hedging may not offset any advantages gained by engaging in hedging transactions. We do not intend to engage in currency speculation on behalf of our Clients.

Impact of Geopolitical Events

Geopolitical events that include: the ongoing turmoil in countries in the Euro zone; the volatility of the price of oil; developments in the Middle East, Iran and elsewhere and other geopolitical and domestic developments; the continued threat of terrorism both within the United States and abroad; ongoing military and other actions and heightened security measures in response to these threats; international tensions between the United States and other nations; and other unanticipated global events may cause disruptions to commerce, reduced economic activity, and continued volatility in markets throughout the world. Some of the assets in a Client Account's portfolio may be adversely affected by declines in the securities markets and economic activity because of these factors. We cannot predict the extent and timing of any decreased commercial and economic activity resulting from the above factors, or how any such decrease might affect the value of securities and other assets held by a Client Account.

Operational Risk

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing, and settlement and accounting systems. We (or our agents) maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities. However, our systems and our agents' systems may not always be effectively designed or administered to control those risks, and losses may result from failures in that respect.

Item 9: Disciplinary Information

We have no legal or disciplinary events to report in response to this item.

Item 10: Other Financial Industry Activities and Affiliations

KPAM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Our personnel are committed to devoting the majority of their time as needed to the management of the Client Accounts.

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

Code of Ethics and Employee Investment Policy

Pursuant to the Code of Ethics Rule under the Investment Advisers Act of 1940 (the "Advisers Act"), we have adopted a Code of Ethics. Our Code of Ethics is based on the principles that our Employees:

- must at all times place the interests of our Clients first;
- must make sure that all personal securities transactions are conducted consistent with our "Employee Investment Policy"; and
- must not take inappropriate advantage of their positions with us or knowledge of our activities on behalf of our Clients for their personal benefit.

All employees are required to certify their adherence to the Code of Ethics annually. In addition, employees must obtain the approval of our chief compliance officer (the "CCO") before acquiring securities for their own account in an initial public offering, before engaging in any outside business activities and before buying privately placed securities.

Our Employee Investment Policy applies to all personal transactions involving equity, debt, options, or futures. It does not apply to transactions involving government securities, open-end mutual funds, money market funds or other securities with respect to which reporting of transactions is not required under the Codes of Ethics Rule.

All of our employees are instructed to direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the Employee Investment Policy.

Our Code of Ethics is available to clients upon request.

Item 12: Brokerage Practices

We will have discretionary authority to manage the Client Accounts, including the authority to make decisions with respect to which securities are bought and sold, the amount and

price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. Our authority is governed by the terms of the investment management agreement governing the Client Account.

In selecting an appropriate broker-dealer to affect a Client Account trade, we would seek to obtain “best execution,” meaning generally the execution of a securities transaction for a client in such a manner that a Client’s total cost or proceeds in the transaction are the most favorable under the circumstances. Accordingly, in seeking best execution, we take into consideration the price of a security obtained by the broker-dealer (or offered, in the case of a principal transaction), as well as a broker-dealer’s full range and quality of services, including, among other things, its trading facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance and settlement and custodial services.

No Soft Dollar Usage

Although, as noted above, we may take into account broker-dealers’ research ideas, analysis and thoughts concerning investment strategies in selecting which broker-dealers to use, we do not enter into “soft dollar” arrangements with brokers – that is, we do not cause an account to pay a higher brokerage fee than is necessary to obtain best execution for client transactions in order to obtain research and additional brokerage services from a broker.

Aggregation of Orders

When we purchase or sell the same security or commodity for the account of two or more Client Accounts, we may aggregate trade orders for the participating Client Accounts in order to achieve more efficient execution or to provide for equitable treatment among the accounts. The Client Accounts participating in aggregated trades on a day will be allocated securities based on the average price achieved for such trades.

Allocation

Our policy prohibits any allocation of trades in a manner that would favor our proprietary accounts, affiliated accounts or any particular client(s) or group of Clients over other Clients.

We have adopted a policy for the fair and equitable allocation of transactions that generally analyzes each trade on an investment by investment basis, taking into consideration the specifics of each trade and the characteristics of each Client Account. To the extent that multiple Accounts participate in a particular transaction and it is not feasible to purchase or sell the instrument in question for all such Accounts in the full desired quantity or at the best obtainable price, purchases or sales will generally be allocated pro-rata among such Client Accounts, unless facts specific to the transaction and the trade warrant an alternative allocation methodology.

Trade Errors

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of our Clients. If an error occurs in the handling of any transactions due to our actions, or inaction, or the actions of others, our policy is to assess each trade error on a case-by-case basis.

Item 13: Review of Accounts

Review of Accounts

We review the Client Accounts on a continual basis to assess their investment performance, positions and cash balances and to assure conformity with the Client Account's investment objectives and guidelines. We provide monthly or quarterly reports (as requested by a Client) to our Clients concerning the performance of their accounts and are available for Client consultation at any time during normal business hours.

Item 14: Client Referrals and Other Compensation

We do not currently utilize any third party marketers or solicitors and do not receive an economic benefit from any other person for providing our investment management services to our Clients.

Item 15: Custody

We will maintain all funds and securities for which we are considered to have custody under the Advisers Act's "Custody Rule" in accordance with its provisions as applicable. For example, for our pooled investment vehicle Clients, we would comply with the Custody Rule's "audit provision" by delivering annual audited financial statements prepared in accordance with generally accepted accounting principles (GAAP) by an independent public accountant (that is registered and subject to regular inspection by the Public Company Accounting Oversight Board) in order to comply with the Custody Rule's reporting requirements.

Item 16: Investment Discretion

Subject to restrictions set forth in the applicable investment management agreement, our management agreements may contain a power of attorney granting us discretionary authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used, and the commission rates paid.

Item 17: Voting Client Securities

Proxy Voting Policy

Clients may or may not delegate proxy voting authority to us with respect to the securities held in their accounts. If proxy voting authority is delegated to us, we will exercise the applicable voting rights in a manner that we believe to be in the Client's best interest, and we will not seek (and we will not accept) the Client's instructions on how to vote. If a Client does not delegate such powers to us, we assure that the Client's custodian is instructed to send proxy materials to the Client and do not offer the Client advice as to how to vote. We believe we will not generally have conflicts of interest in voting securities on behalf of our Clients because we will have no affiliations with the issuers of the securities for which we may vote proxies. If, unusually, one of our principals or employees holds another class of securities in an issuer whose securities are held in a Client Account and the interests of the holders of that other class of securities could be adversely affected by a vote of the Client Account's securities, we will take measures to assure that the principal or employee in question does not participate in or influence the decision as to how to vote the Client Account's securities.

Upon request, we will provide our clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast for such client.

Item 18: Financial Information

We are not required to provide a balance sheet or other disclosures under this item.