

Part 2A of Form ADV: Firm Brochure



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This brochure provides information about the qualifications and business practices of Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”). If you have any questions about the contents of this brochure, please contact us at (212) 750-8300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority. KKR is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any KKR personnel.

Additional information about KKR also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 **Material Changes**

KKR's most recent update to Part 2A and Part 2B was made in March 2014. KKR is now updating Part 2A to reflect the following material changes:

- Item 4 – Updated to reflect recent updates to KKR's business and its affiliates and the description of the nature of KKR's clients including Other Clients.
- Item 5 – Updated information and disclosure regarding Fees and Compensation including Management Fees, other compensation, and expenses with respect to Senior Advisors, Industry Advisors, KKR Capstone, RPM and other consultants.
- Item 10 – Updated information and disclosure regarding the activities of Relying Advisers.
- Item 11 – Updated information and disclosure with respect to conflicts of interest regarding affiliates of KKR including proprietary entities of KKR, reporting to KKR's Compliance Group and Allocation of Investments.
- Item 13 – Updated information regarding the composition and description of investment committees, portfolio management committees and oversight over KKR Funds and investment vehicles.

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Item 4 **Advisory Business**

Overview

Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”) is a Delaware limited partnership founded in 1976 with \$75.8 billion¹ in assets under management as of December 31, 2013. Today, through its offices across North America, South America, Europe, the Middle East, Asia and Australia, KKR advises private equity funds and other investment vehicles that invest capital for long-term appreciation, primarily either through controlling ownership of companies or minority positions. In addition, KKR manages investments in real assets, such as infrastructure, energy and real estate, and also invests in Marketable Securities (defined below). KKR also sponsors and manages investment vehicles that facilitate co-investment in specific or multiple portfolio companies and other assets of KKR funds, a customized platform that may invest in KKR funds and funds sponsored and managed by unaffiliated investment managers (“**third party funds**”) and related co-investments, and strategic partnership vehicles or other multi-strategy or multi-asset arrangements that invest across multiple KKR funds and investment strategies. KKR’s Global Institute (“**KGI**”) periodically publishes thought leadership papers, highlighting views from KKR’s portfolio companies and portfolio managers and political, economic and social trends. The Global Macro and Asset Allocation Group (the “**GMAA Group**”) within KGI also publishes commentary on economic trends and related topics and oversees a portfolio of investments in a variety of instruments and securities.

KKR is affiliated with KKR Credit Advisors (US) LLC.² KKR Credit Advisors (US) LLC primarily invests in U.S. and European leveraged credit strategies, such as leveraged loan and high yield bond strategies, alternative credit strategies (including, mezzanine debt, special situations investments, structured and illiquid credit, long/short credit and direct senior loan origination and related investments), long/short equity strategies and other assets held by funds or other accounts managed by KKR Credit Advisors (US) LLC, including private equity and real assets, such as infrastructure, energy and real estate. KKR is also affiliated with Prisma Capital Partners LP, which conducts business under the name KKR Prisma (“**KKR Prisma**”). KKR Prisma provides discretionary and non-discretionary investment management services to a number of private funds and managed accounts generally pursuing a “fund of hedge funds” strategy. KKR also has an affiliated capital markets business operated through affiliated broker-dealers (please see Item 10 for additional information regarding KKR’s affiliated broker-dealers) and has a proprietary trading business.

In January 2013, an affiliate of KKR acquired a 24.9% interest in the holding company of Nephila Capital Ltd. (“**Nephila**”), a Bermuda based hedge fund manager focusing on investing in natural catastrophe and weather risk. Such affiliate of KKR is entitled to designate one of five directors to the board of directors of Nephila’s holding company. In February 2014, an affiliate of KKR acquired KKR Credit Advisors (Ireland) (formerly Avoca Capital Holdings) and its affiliates including KKR Credit Advisors (UK) LLP (formerly Avoca Capital Management LLP).³ KKR Credit Advisors (Ireland) LLP and KKR Credit Advisors (UK) LLP provide discretionary investment management services to a number of private funds, managed accounts and CLOs generally pursuing strategies including European loans and bonds, credit opportunities, long/short credit, convertible bonds and structured and illiquid credit. Use of the term “KKR Credit” throughout this brochure references KKR Credit Advisors (US) LLC, KKR Credit Advisors (Ireland) LLP, KKR Credit Advisors (UK) LLP and KKR Asset Management Partners LLP

¹Represents KKR’s most recently published AUM as disclosed in Part 1. AUM calculations may differ from those used in other regulatory filings by KKR in accordance with applicable requirements and guidelines.

² Prior to September 30, 2014, KKR Credit Advisors (US) LLC was known as KKR Asset Management LLC.

³ These name changes occurred on September 30, 2014.

collectively. In April, 2014, KKR & Co. L.P., (“**KKR & Co.**” or the “**Public Company**”) and other affiliates of KKR completed a merger pursuant to which an affiliate of KKR & Co. would acquire KKR Financial Holdings LLC (“**KFN**”). Upon the closing of the transaction, KFN continued its activity as a subsidiary of KKR & Co. In July 2014, an affiliate of KKR acquired a 24.9% interest in BlackGold Capital Management, a Houston, Texas based hedge fund focused on investing in energy and hard asset event-driven credit.

In January 2014, an affiliate of KKR acquired a minority interest in Vanbridge Holdings Ltd. (“**Vanbridge**”), an insurance intermediary and capital advisory firm that itself holds interests in Sharebridge Private Equity Consolidated (“**Sharebridge**”), an insurance broker serving private equity and hedge fund clients. Sharebridge has provided services to KKR and to KKR fund portfolio companies in the past and both Sharebridge and Vanbridge may provide such services in the future.

With limited exceptions in connection with its customized platform investing in KKR funds, third party funds and related co-investments, KKR does not manage client assets on a non-discretionary basis, although certain clients have consent or opt-out rights with respect to certain investments. U.S. employees of KKR Credit, KKR Prisma, and KKR’s affiliated U.S. broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC, are dual employees of such entities and KKR.

Ownership/Structure

KKR is a subsidiary of KKR Management Holdings L.P. (“**KKR Management Holdings**”) and an indirect subsidiary of KKR & Co., which was listed on the New York Stock Exchange on July 15, 2010. KKR Management LLC serves as the general partner of the Public Company and may be deemed to indirectly control the Public Company’s business for regulatory purposes. KKR Management LLC does not hold any economic interests in the Public Company, and an affiliated entity, KKR Holdings L.P. (“**KKR Holdings**”), holds special voting units in the Public Company (as well as the economic interests described below). Public unitholders hold 100% of the limited partnership interests in the Public Company. As of December 31, 2013, the Public Company indirectly held approximately 41.6% of the general and limited partnership interests in KKR Management Holdings and KKR Fund Holdings L.P. (together, the “**Group Partnerships**”), which hold the combined business of KKR and its affiliates. As of December 31, 2013, the remaining limited partnership interests in the Group Partnerships were held indirectly by KKR Holdings and KKR Associates Holdings L.P. KKR Holdings and KKR Associates Holdings L.P. are owned by certain KKR senior employees and non-employee operating consultants and their related persons.

Nature of KKR’s Clients

KKR generally provides investment management, advisory and administrative services to affiliated general partners of investment funds and other investment vehicles sponsored and managed by KKR (“**KKR GPs**”). These funds and vehicles are typically U.S. and non-U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) or the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and are privately placed to qualified investors in the United States and elsewhere or are established as dedicated investment vehicles and/or strategic partnership arrangements for certain institutional investors. KKR also provides investment advice directly to institutional clients through managed account arrangements. Investment funds, co-investment vehicles, specific vehicles established for managed account arrangements (“**Separately Managed Accounts**”) and other vehicles to which KKR provides investment management, advisory and administrative services are referred to throughout this Brochure as “**KKR Funds.**” Institutional investors, to which KKR provides services

directly through a contractual relationship and not through a Separately Managed Account, such as an investment management agreement, are referred to throughout this brochure as “**Other Clients.**”

KKR does not participate as manager in any wrap fee programs.

KKR’s Investment Mandates

The terms upon which KKR or its affiliates serve as investment manager or advisor of a KKR Fund or Other Client are determined at the time each KKR Fund or Other Client relationship is established and are generally set out in separate management agreements with the relevant KKR Fund or Other Client and the governing documents of the relevant KKR Fund. These terms, which vary as among each KKR Fund and Other Client, may include restrictions on the types of securities and other assets in which a KKR Fund or Other Client may invest, the amount of assets that may be invested in any portfolio company or industry or fund, the geographies in which a KKR Fund or Other Client may invest and leverage, among others.

Item 5 Fees and Compensation

General

KKR (including the KKR GPs) generally receives management fees, carried interest allocations and/or performance fees in connection with the investment management and administrative services KKR provides to KKR Funds and Other Clients. Certain co-investment vehicles and KKR Associates Vehicles (as defined under Item 6), as discussed below in Item 6, are not subject to such fees and/or carried interest allocations.

Management fees, carried interest allocations, performance fees and/or other compensation payable to KKR (including the KKR GPs) by KKR Funds or Other Clients together with other terms governing the management of KKR Funds or Other Clients by KKR, are established by KKR at the time of the establishment of the relevant KKR Funds (and negotiated with participating investors prior to their investment) or at the beginning of the management relationship with the relevant Other Clients, as applicable. Specific details of such compensation and its method of calculation are set out in the offering materials, disclosure documents, management agreements and/or governing documents of the relevant KKR Funds or Other Clients and vary as between KKR Funds and Other Clients. Fee terms of KKR Funds or Other Clients have been and may be changed during the term of the relevant relationship. The share of compensation earned by KKR or its affiliates in respect of a KKR Fund may vary between investors in such KKR Fund pursuant to the terms of the governing documents, side letter agreements or other arrangements with specific investors in such KKR Fund whereby such investors receive direct or indirect reductions of management fees or other compensation otherwise payable with respect to their investments managed by KKR. For example, KKR or KKR Credit has entered into and may in the future enter into strategic partnerships or other multi-strategy or multi-asset class arrangements with investors that commit capital to a range of KKR’s, KKR Credit’s and KKR Prisma’s platform of products, investment ideas and asset classes. Such arrangements may include KKR, KKR Credit or KKR Prisma granting certain preferential terms to such investors, including blended fee and carried interest rates that are lower than those applicable to other investors in a KKR Fund, KKR Credit Fund (as defined below) or Prisma Fund (as defined below) when applied to the entire strategic partnership. Where a strategic investor participates in a KKR Fund, KKR Credit Fund or Prisma Fund through a dedicated investment vehicle or account as part of such arrangement, such vehicle and account may be granted terms, including management fees or carried interest, that are more favorable than those applicable to other investors. In cases where a strategic investor’s management fees and carried interest are due at the level of the applicable fund, such terms may include a waiver of management fees and carried interest on such strategic investor’s investment in KKR Funds, KKR Credit Funds or Prisma Funds.

Management Fees

KKR receives periodic management fees from KKR Funds or Other Clients of up to 2% of capital committed to, the net asset value of, or the remaining invested capital of, the relevant KKR Fund or Other Client, depending, in particular, on the strategy of the relevant KKR Fund or Other Client, the amount of assets being placed under management with KKR and the point in time in the life cycle of the relevant KKR Fund or Other Client account. Management fees may be paid quarterly in advance or arrears, depending on the KKR Fund or Other Client. KKR will from time to time accrue management fees for a given payment period but defer collecting such fees until a later payment period primarily for administrative convenience reasons. KKR generally does not charge interest on such deferred management fees. The KKR GPs generally make capital calls on investors in KKR Funds for the amount of management fees payable by the KKR Funds to KKR and then cause the KKR Funds to pay the amounts received from the investors to KKR, consistent with the governing documents of the KKR Funds. KKR generally invoices Other Clients for management fees. In some cases, management fees due to KKR may be deducted from proceeds otherwise distributable to investors in a KKR Fund or Other Client but only if consistent with the governing documents of such KKR Fund or Other Client.

Where management fees are paid in advance with respect to a KKR Fund or Other Client, the terms applicable to the relevant KKR Fund (which are generally closed-end) or Other Client may not (and in the case of KKR Funds, typically do not) contemplate repayments of fees to the extent that KKR's services terminate prior to the end of the relevant payment period. Where management fees are based on committed capital or the remaining invested capital of a KKR Fund, the management fee payable by such KKR Fund will be due to KKR even if the fair value of the relevant remaining investments is below cost or even zero. Management fees paid by investors in KKR Funds generally reduce the carried interest allocations received by the KKR GPs from those KKR Funds that provide for carried interest allocations.

Management fees payable to KKR by certain KKR Funds may also be reduced by certain other compensation received by KKR or its affiliates that relate to the relevant KKR Fund and its activities or by certain organizational, offering and other expenses borne by the KKR Fund.

Performance-Related Compensation

KKR GPs also generally receive carried interest allocations from KKR Funds (other than certain co-investment vehicles and KKR Associates Vehicles) of up to 20% of the net realized returns of each portfolio investment. Carried interest allocations may be subject to hurdles and/or claw-backs, depending, among other things, on the strategy of the relevant KKR Fund. In addition, to the extent that certain KKR Funds may invest in publicly traded equity and debt securities and other marketable securities and instruments (collectively, "**Marketable Securities**"), KKR may receive periodic performance fees determined on the basis of increases in the net asset value of such KKR Funds' Marketable Securities portfolio in excess of a high water mark.

Other Compensation

KKR Funds and Other Clients also indirectly incur other fees payable to KKR or its affiliates depending on the nature of the KKR Fund or Other Client and their respective portfolio activities. For example, KKR or its affiliates receive "monitoring fees" in exchange for providing KKR Fund portfolio companies with management, consulting and other services and also receive financial advisory fees or "transaction fees" in connection with acquisitions, sales and other transactions involving portfolio companies, in each case which are generally not negotiated on an arm's length basis. On the occurrence of initial public offerings, sales or other change of control events related to the relevant company, future fee streams,

including in particular, future monitoring fees (if any) that would otherwise be payable by the relevant portfolio company may be accelerated in accordance with a present value calculation described in the agreement between such portfolio company and KKR or its affiliates relating to such fees. Typically, such accelerated fees are based on the net present value of the monitoring fee over a fixed period calculated using an agreed upon discount rate or yield that represents the U.S. treasury rate, otherwise known as the “risk free rate”, over a similar time period. The fixed period of time used in the net present value calculation will typically be tied to the term of the relevant KKR Fund; however, in certain instances the calculation period has exceeded and in the future may exceed the relevant KKR Fund’s term. Such accelerated fees may alternatively be a fixed amount payable in relation to the transaction that triggered the acceleration of such fees and KKR may receive other fees, such as transaction fees, in connection with the same transaction in which such an accelerated fee is paid. KKR or a subsidiary may also receive fees in respect of administrative services provided to loan syndicates lending to the KKR Fund portfolio companies. KKR or its affiliates may also receive “break up” or similar fees in connection with unconsummated or terminated portfolio transactions. The amount and timing of such fees are generally specified in the agreements relating to the relevant transaction and such agreements may condition or limit such payments to KKR or its affiliates.

Monitoring fees and transaction fees are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles based on ownership of the relevant company or investment. Break up fees are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles based on the anticipated ownership of the relevant company or investment had the transaction been consummated. A portion of the monitoring fees, transaction fees and break up fees allocated to KKR Funds and Other Clients will generally reduce or off-set management fees otherwise payable by investors in such KKR Funds and Other Clients as described in the offering materials, disclosure documents and/or governing documents of the relevant KKR Funds and Other Clients. The portion of allocable compensation that reduces or off-sets management fees varies as between KKR Funds and Other Clients. KKR will retain the portion of such compensation that is allocated to KKR Funds and Other Clients that does not reduce or off-set management fees as well as the allocated portion that is attributable to the relevant KKR GP. In addition, KKR retains such compensation to the extent it is allocable to KKR Associates Vehicles (except in the case of certain older KKR Funds) or co-investment vehicles. Certain officers and employees of KKR (“**Employees**”) currently do and may in the future also receive directors’ fees for serving on the boards of KKR Fund portfolio companies, holding vehicles and other entities in or through which KKR Funds invest. For older KKR Funds, these directors’ fees are generally not offset against KKR Fund management fees and may be retained in whole or in part by the Employees. For newer KKR Funds (generally those established in 2010 and later), directors’ fees paid to Employees generally offset management fees. In addition, from time to time, Employees will serve as interim executives of KKR Fund portfolio companies and other entities in or through which KKR Funds invest, and such Employees may receive compensation in respect of such services.

Affiliated U.S. and non-U.S. broker-dealers of KKR (including their respective related lending vehicles) (or “**Affiliated Brokers**” as defined in Item 10) may manage or otherwise participate in underwriting syndicates and/or selling groups with respect to the securities and debt instruments of portfolio companies and other non-controlled entities in or through which certain KKR Funds or Other Clients invest, including in respect of securities or other instruments of such portfolio companies in which KKR Funds or Other Clients have not invested. Further, Affiliated Brokers may otherwise be involved in the public or private placement of such securities and other instruments, and/or may provide capital markets advisory services to portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, including in connection with mergers and acquisitions, the syndication of portfolio company co-investment opportunities alongside certain KKR Funds, and may provide acquisition financing and other corporate lending services to such entities in addition to financing provided through a KKR Fund or Other Client’s investment. In addition, Affiliated Brokers may alone or

with other lenders (including other KKR entities), arrange lines of credit to portfolio companies and other non-controlled entities in or through which KKR Funds, Other Clients and other third party borrowers invest. Affiliated Brokers (through its respective related lending vehicles) may also provide loans and lines of credit to KKR Fund and Other Client portfolio companies and other third party borrowers. Affiliated Brokers may also provide syndication services to such entities including in respect of co-investments in transactions participated in by KKR Funds or Other Clients. Affiliated Brokers may receive fees, commissions, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above and/or may waive such fees. Affiliated Brokers and other KKR entities may, as a consequence of such activities, from time to time hold positions in instruments or securities issued by portfolio companies. While such fees, commissions, interest payments and other compensation are believed by KKR to be reasonable and charged at rates that are at or below market rate for the relevant activities, such compensation are generally determined through negotiations with related parties. KKR Funds have no right to share in any transaction-related compensation received by Affiliated Brokers. Affiliated Brokers do not share in any transaction fees, which are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles as discussed above.

Please also see “KKR Capstone and RPM” below with respect generally to fees of Capstone Consulting LLC and its related parties (“**KKR Capstone**”) and fees of RPM Energy Management LLC (“**RPM**”).

Other Expenses

Each KKR Fund (and its underlying investors) or Other Client other than certain KKR Associates Vehicles as discussed below in Item 6, will typically pay or otherwise bear all legal, accounting, and filing expenses incurred in connection with organizing and establishing the KKR Fund and the related KKR GP, and the marketing and offering of interests in the KKR Fund or Other Client, including commissions, costs, fees, and expenses of any placement agent or finder and legal, accounting, filing, capital raising, travel and accommodation, printing and other similar costs, fees, and expenses. Investors in KKR Funds (other than certain co-investment vehicles and KKR Associates Vehicles, which do not bear management fees) or Other Clients will typically receive a reduction in management fees in respect of offering and organizational expenses in excess of specific amounts as described in the offering materials, disclosure documents and/or governing documents of the relevant KKR Fund or Other Client.

In addition, each KKR Fund or Other Client will typically pay broken deal expenses and all fund expenses related to the operation of the KKR Fund or Other Client, including fees, costs, and expenses directly related to the purchase, holding, and sale of investments, diligence expenses (including related travel expenses), expenses of any consultants (including KKR’s senior advisors (“**Senior Advisors**”) and industry advisors (“**Industry Advisors**”), KKR Capstone and RPM, counsel, and accountants, insurance (including insurance obtained by KKR which is available for the benefit of funds, investment vehicles and portfolio companies), indemnity, or litigation expenses, custody fees, brokerage fees (if any), underwriting and syndication fees and expenses, financing and bridge financing expenses (which may be payable to another KKR Fund co-investing in the bridged transaction or to KKR or an affiliate, in each case that provides bridge financing to the relevant KKR Fund), certain taxes, expenses of any advisory committee established in respect of the KKR Fund and its members, costs of any information meetings of the KKR Fund’s investors, and any fees or other governmental charges levied against the KKR Fund or Other Client. Certain KKR Funds have agreed to bear an allocable portion of KKR’s overhead expenses, including office, computer, employee and other internal costs and expenses.

Operational, investment-related and other KKR Fund-related expenses (or an appropriate portion thereof to the extent operational resources giving rise to such costs are also used by KKR for proprietary purposes) will generally be borne by KKR or its affiliates and then reimbursed through a reduction of

subsequent distributions by the Fund or by reducing the amount of monitoring fees, transaction fees and break up fees allocated to the relevant KKR Fund that would otherwise reduce management fees.

KKR also manages certain investment vehicles that are either feeder funds investing in KKR Funds or KKR Associates Vehicles. KKR or one or more of its affiliates may bear the allocable share of organizational costs and other expenses attributable to KKR Associates Vehicles without seeking reimbursement.

KKR and its affiliates generally employ three categories for purposes of allocating expenses to and among KKR Funds, Other Clients, KKR Associates Vehicles, co-investment vehicles and certain KKR proprietary entities. These categories are discussed below under “Specific Fund Expenses,” “Investment Strategy Expenses” and “Specific Portfolio Company Expenses.”

Specific Fund Expenses These are expenses that are specifically attributable to a particular KKR Fund or Other Client. Examples of the types of expenses that fall within this category are professional fees directly attributable to a specific KKR Fund, such as legal fees and audit fees, certain travel expenses and the costs of the annual investors conference for the relevant KKR Fund. These expenses are allocated to the relevant KKR Fund or Other Client.

Investment Strategy Expenses These are expenses that relate more generally to an investment strategy. Examples of expenses that fall within this category are broken deal expenses, certain organizational expenses (for example, those related to the establishment of a multi-investment platform for a strategy), fees and expenses of consultants (including Senior Advisors and Industry Advisors, KKR Capstone and RPM) and costs and expenses of research relating to such strategy. These expenses are allocated to the KKR Funds, Other Clients and KKR Associates Vehicles (and if applicable, certain KKR proprietary entities) that participate in the relevant investment strategy. The allocation of expenses among participants in a given strategy is based upon a number of relevant factors (and not on any single factor such as capital invested or committed), including the capital committed to the strategy, the amount of capital historically invested, or remaining invested, in the relevant strategy, and the percentage of transactions within the strategy in which participants have historically participated (which will be highest in the case of KKR Funds that have minimum investment rights in relation to the relevant strategy). The proportion of such expenses allocated to any relevant KKR Fund, Other Client, KKR Associates Vehicles or KKR proprietary entity may, accordingly, vary from period to period, but as a general matter, the most significant portion of such expenses will typically be borne by the primary investment vehicle for such strategy (for example, the KKR Fund that has a minimum investment right in relation to the relevant strategy).

Specific Portfolio Company Expenses These are expenses that are specifically attributable to a particular KKR Fund portfolio company. Examples of expenses that fall within this category are travel expenses for an Employee to attend a board of directors meeting of a portfolio company, KKR Capstone and RPM fees and expenses for services provided to or on behalf of the respective KKR Fund portfolio company, and expenses of any consultants, counsel, and/or accountants for services provided in connection with a potential acquisition for a KKR Fund portfolio company. The specific entity in the organizational holding structure which bears these expenses impacts the proportional sharing of these expenses. Transaction expenses for consummated investments will typically be borne by the relevant portfolio company or a related investment vehicle through which the investment is made and capitalized as part of the acquisition price of the relevant transaction to the extent not reimbursed by a third party. Ongoing expenses that are specific to a portfolio company may be borne by the relevant portfolio company. When the portfolio company bears an expense directly, each direct and indirect equity owner of such company will indirectly bear a portion of such expenses. However, expenses, which may include fees and expenses payable to KKR Capstone, RPM and transaction and monitoring fees payable to KKR

among others, may be borne by (i) holding companies or other vehicles through which certain, but not all, of the direct and indirect equity owners of the portfolio company invest or (ii) a specific KKR Fund or Other Client. When such expenses are borne by such holding companies or other vehicles or by a specific KKR Fund or Other Client, such KKR Fund or Other Client will bear a greater portion of such expenses than would be the case if such expenses were paid by the relevant portfolio company.

Senior Advisors and Industry Advisors

Senior Advisors and Industry Advisors are consultants rather than Employees of KKR, but are paid fees for services provided to KKR, KKR Funds, Other Clients and KKR Fund portfolio companies. The terms of engagement, including the financial package, for Senior Advisors and Industry Advisors are generally agreed (“**Senior Advisor Agreement**”) between the Senior Advisor or Industry Advisor and KKR (or one of its affiliates) at the time of engagement. Each Senior Advisor Agreement is negotiated individually, depends upon anticipated advisory services, and may differ as between different individuals. Senior Advisor Agreements may be updated from time to time, taking into account considerations such as, but not limited to, performance or current market practices for similar consulting services.

Senior Advisors and Industry Advisors typically receive a financial package comprised of one or more of the following: (i) an annual fee, (ii) a discretionary performance-related bonus, (iii) a portion of the carried interest received by a general partner(s) of a KKR Fund or Other Client that are part of KKR’s “carry pool” and (iv) grants of equity in one or more of the parent entities of KKR. Senior Advisors and Industry Advisors are also entitled to reimbursement for expenses incurred while providing services to KKR, KKR Funds, Other Clients and KKR Fund portfolio companies. Some Senior Advisors historically were granted “phantom equity” in certain KKR Fund portfolio companies, which is a form of incentive compensation based on the performance of the relevant KKR Fund portfolio company (“**Phantom Equity**”). Phantom Equity grants were discontinued in 2009; however, certain Senior Advisors continue to receive payments under legacy grants. Certain Senior Advisors also may receive a portion of performance related compensation from certain KKR GPs that in turn receive carried interest allocations from KKR Funds. Senior Advisors and Industry Advisors also serve on the boards of directors of KKR Fund portfolio companies and may otherwise serve directly as consultants to KKR Fund portfolio companies and may receive directors’ fees, consulting fees and other compensation in connection therewith from KKR Fund portfolio companies. Such directors’ fees earned by Senior Advisors and Industry Advisors do not offset management fees. Certain Senior Advisor Agreements provide KKR the discretion to determine whether this additional compensation paid to Senior Advisors or Industry Advisors by KKR Fund portfolio companies will offset the cash compensation paid to such Senior Advisors or Industry Advisors under the Senior Advisor Agreement, although KKR typically would not offset such cash compensation.

KKR Funds and Other Clients bear, directly or indirectly, a portion of the costs of consulting services provided by Senior Advisors and Industry Advisors. KKR allocates cash compensation (i.e., the annual fee and cash bonus) and expense reimbursement according to how the relevant Senior Advisor or Industry Advisor spends his or her time. The time of each Senior Advisor and Industry Advisor is allocated on a quarterly basis among three general categories: (i) investment sourcing activities (which are allocated as investment strategy expenses (see description above in “Other Expenses”)); (ii) activities related to monitoring KKR Fund portfolio companies (which are allocated as specific portfolio company expenses (see description above in “Other Expenses”)); and (iii) KKR related activities, such as fundraising and strategic planning, expenses of which are borne by KKR and its affiliates and not KKR Funds and Other Clients. The expenses related to equity grants in one or more of the parent entities of KKR have historically been borne by KKR (or one of its affiliates) and not allocated to KKR Funds and Other Clients. The expense created by the payment of a legacy Phantom Equity grant is borne indirectly by the KKR Funds and Other Clients that participated in the relevant portfolio company.

KKR Capstone and RPM

Each of KKR Capstone, which provides consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies, holding companies and other entities in or through which the KKR Funds and Other Clients invest, and RPM, which provides operating and consulting services to KKR, KKR Funds, Other Clients and certain KKR Fund portfolio companies and/or assets in the oil and gas industry, is owned by its senior management and neither is a subsidiary nor an affiliate of KKR. KKR Capstone uses the name “KKR” under license from KKR. Generally, KKR Capstone and RPM have master consulting agreements in place with KKR for due diligence work and other projects contracted by KKR on behalf of KKR Funds and Other Clients and they may enter into engagement letters with KKR Fund portfolio companies, holding companies and other entities for consulting services provided to such entities. Under those agreements and engagement letters, KKR Capstone and RPM are generally entitled to fees and expense reimbursement. While such fees and reimbursable expenses and other compensation paid to KKR Capstone and RPM are believed by KKR to be reasonable and generally at market rates for the relevant activities, such compensation is not negotiated at arm’s length and from time to time may be in excess of fees, reimbursable expenses or other compensation that may be charged by comparable third parties. KKR may in the future engage technical partners (“**Technical Partners**”) in addition to KKR Capstone and RPM, including, but not limited to, for operational consulting, energy industry consulting and property management services in the real estate sector, on terms substantially similar to those described herein.

While KKR does not hold any voting/decision making rights or equity interests in KKR Capstone or RPM (or certain other Technical Partners), KKR Capstone and RPM (and certain other Technical Partners may) generally provide services to KKR and its affiliates, to its portfolio companies or assets or to KKR designees on an exclusive basis and also receive services and support from KKR and its affiliates, which may be provided on favorable or below market rates. For example, KKR has in the past, presently does, and may in the future provide loans to KKR Capstone or RPM (or other Technical Partners), which loans have (or may have) below market interest rates and no stated payment schedule, provide administrative services to KKR Capstone or RPM (or other Technical Partners) at below market rates, enter into arrangements with KKR Capstone or RPM (or other Technical Partners) that provide for below market rent, and allow KKR Capstone and RPM (and other Technical Partners) to participate in KKR’s insurance policies and employee benefit plans without passing through the full cost of the coverage to KKR Capstone and RPM (and other Technical Partners). Executives of KKR Capstone have received, and executives of KKR Capstone, RPM and/or other Technical Partners are expected to receive in the future, compensation in the form of (x) grants of equity in one or more of the parent entities of KKR, (y) a portion of the carried interest received by a general partner(s) of a KKR Fund or Other Client that are part of KKR’s “carry pool” and/or (z) a profits interest in individual portfolio companies or assets. Executives of KKR Capstone serve on the boards of directors of KKR Fund portfolio companies and receive directors’ fees in connection therewith. They also serve from time to time as interim executives of KKR Fund portfolio companies and receive compensation in connection therewith. Fees and compensation received by KKR Capstone and RPM (and other Technical Partners) and their respective employees will not be shared with KKR Funds or Other Clients or offset against management fees payable by KKR Funds or Other Clients.

In addition, portfolio companies of KKR Funds or Other Clients are counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other KKR Funds or Other Clients (for example a portfolio company of a KKR Fund may retain a portfolio company of another KKR Fund to provide services or may acquire an asset from such portfolio company). Certain of these agreements, transactions and arrangements involve fees, servicing payments, rebates, and/or other benefits to KKR, its affiliates, KKR Capstone or RPM. For example, KKR encourages portfolio

companies to enter into agreements regarding group procurement and/or vendor discounts. KKR, its affiliates, KKR Capstone, and/or RPM may also participate in these agreements, and may realize better pricing or discounts as a result of the participation of portfolio companies. Certain of those agreements provide for commissions or similar payments and/or discounts or rebates to be paid to a portfolio company or KKR Capstone, and such payments or discounts or rebates may also be made directly to KKR, its affiliates and RPM (and other Technical Partners) as well. Under these arrangements, a particular portfolio company may benefit to a greater degree than the other participants, and the KKR Fund(s) and/or Other Client(s) that own an interest in the portfolio company will receive a greater relative benefit from the arrangement than other KKR Funds and Other Clients. Fees paid by portfolio companies pursuant to these arrangements are not subject to management fee offsets or otherwise shared with KKR Funds or Other Clients.

KKR Funds and Other Clients, directly or through portfolio companies, holding companies and other entities in which they invest, bear the cost of consulting services provided by KKR Capstone and RPM. The quantum of fees and reimbursable expenses borne by a KKR Fund or Other Client will depend in part upon which entity in the relevant investment structure has agreed to pay the relevant costs to KKR Capstone or RPM. For example, if the relevant KKR Fund portfolio company has agreed to pay such fees and reimbursable expenses, then generally all of the equity owners of the portfolio company will indirectly bear their portion of such fees and reimbursable expenses, whereas if a holding vehicle through which a KKR Fund or Other Client (but not all of the equity owners of the KKR Fund portfolio company) invests pays such fees and reimbursable expenses, then only the investors who invest through the relevant holding vehicle will bear such fees and reimbursable expenses. This may result in a KKR Fund or Other Client bearing a greater portion of the fees and reimbursable expenses of KKR Capstone or RPM (or other Technical Partners) than would be the case if such costs were paid by the relevant portfolio company. If a KKR Fund portfolio company declines to pay for services rendered by KKR Capstone or RPM (or other Technical Partners) which KKR believes benefitted a KKR Fund and/or Other Client, then a KKR Fund or Other Client will be charged for such services, which may result in the effect described in the preceding sentence. Fees and reimbursable expenses related to due diligence are generally, to the extent not reimbursed by a third-party, either capitalized as part of the acquisition price of the relevant investment for consummated investments or treated as broken deal expenses for investments that are not consummated (see description of investment strategy expenses above in “Other Expenses”).

KKR Capstone and RPM executives meet with investors and prospective investors to describe the role of KKR Capstone and provide information regarding KKR Capstone’s activities and arrangements. Typically, neither KKR Capstone nor RPM charge fees to KKR, KKR Funds or Other Clients in connection with their respective executives attending meetings with investors (including annual meetings of KKR Funds) or internal KKR meetings. However, KKR Capstone and RPM are reimbursed for travel related expenses for attending such meetings. While KKR bears the expense reimbursement for internal KKR meetings, KKR Funds bear the relevant expense reimbursement for meetings related to their activities.

In connection with the management and oversight of KKR Funds and Other Clients, neither KKR nor any of its supervised persons accept compensation from third parties for the sale of securities or other investment products except as described above.

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

As noted in Item 5 above, KKR (including the KKR GPs) generally receives performance-based compensation from KKR Funds. KKR may have an incentive to favor, or take increased investment risk with respect to KKR Funds from which it receives performance-based compensation over KKR Funds from which it does not (for example, certain co-investment vehicles). Similarly, KKR may have an

incentive to favor, or take increased investment risk with respect to KKR Funds from which it receives higher performance-based compensation over KKR Funds from which lower or no performance-based compensation is received (and notwithstanding that such accounts may not give rise to performance-based compensation, KKR in any event may have an incentive to favor a certain KKR proprietary entity over any other KKR Fund). KKR has in place policies and procedures to address these conflicts, including policies and procedures designed to ensure allocation of trades and securities among all client and KKR proprietary entities on a fair and equitable basis, taking into account the client's investment objectives. These policies and procedures are described in more detail below in Item 11.

KKR manages certain KKR Funds that are either feeder funds investing in other KKR Funds or side-by-side vehicles investing along side other KKR Funds that are established primarily for the benefit of Employees, Senior Advisors and Industry Advisors, KKR Capstone and RPM executives and certain other persons associated with KKR (which may include executives of KKR portfolio companies, external consultants and their affiliated entities) ("**KKR Associates Vehicles**"). KKR Associates Vehicles are not subject to management fees or carried interest allocations but are generally allocated monitoring fees and transaction fees based on their respective ownership of the relevant company or investment as discussed above in Item 5 (except in the case of certain older KKR Funds). KKR retains such compensation to the extent it is allocable to KKR Associates Vehicles (except in the case of investments made alongside certain older KKR Funds). KKR may also bear any allocable share of KKR Fund organizational costs and other expenses on behalf of the KKR Associates Vehicles. As the investment activities of these vehicles are implemented indirectly through the other KKR Funds in which they invest or along side other KKR Funds, as applicable, KKR does not view these arrangements as giving rise to the types of conflicts of interest described above.

Item 7 Types of Clients

KKR provides investment management, advisory and administrative services, as described above in response to Item 4, to the KKR Funds and Other Clients. With limited exceptions (including, currently, with respect to a KKR Fund established as an employee securities company), investment in KKR Funds is generally only available to institutional investors and certain high net worth investors that are "accredited investors" and "qualified purchasers" or non-"U.S. persons" or in the case of Employees, "knowledgeable employees", within the meaning of the Securities Act and the Investment Company Act, as applicable. KKR Funds generally have a specified minimum investment amount as set forth in their offering materials, disclosure documents and/or governing documents. These minimum amounts are subject to discretion, on the part of KKR or the relevant KKR GP, to permit investments of a smaller amount generally or with respect to any investor.

A broad range of U.S. and non-U.S. institutional investors, including, among others, governmental and corporate pension and profit sharing plans, endowments and foundations, insurance companies, financial institutions, sovereign wealth funds, funds of funds, private wealth and other third party distribution platforms and certain high net worth individuals and family offices, invest in KKR Funds and Other Clients. Additionally, Employees and other persons associated with KKR and/or its affiliates and portfolio companies, including, for example, current or former portfolio company executives, and certain KKR proprietary entities, may make capital contributions to KKR Funds including, in particular, KKR Associates Vehicles.

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

Investment Strategies and Methods of Analysis

As noted above in response to Item 4, KKR advises private equity funds and other investment vehicles

that invest capital for long-term appreciation, primarily either through controlling ownership of companies or minority positions. KKR also manages investments in infrastructure assets across a broad range of sectors, which may include: electric and gas utilities; long-term contracted or “hedgeable” generation; midstream energy infrastructure; alternative energy infrastructure; airports; ports; surface transportation (roads, bridges, tunnels, railway lines, parking, and mass transit structures); water and wastewater; social infrastructure (for example, schools, public healthcare facilities, and government housing); and communications infrastructure. In addition, KKR manages investments in energy assets, such as oil and gas properties, royalties and drilling activities that offer exposure to underlying commodities and current cash flows from the production of the acquired resources. KKR also manages investments in real estate assets, which may include direct investments in commercial or residential real property, debt, special situations transactions and businesses with significant real estate holdings. KKR sponsors a customized platform that may invest in KKR Funds and third party funds pursuing private equity and related co-investments, and strategic partnership vehicles that invest across multiple KKR Funds and investment strategies.

Certain KKR Funds or Other Clients may make convertible arbitrage or other investments in Marketable Securities. KKR also may employ hedging techniques and invest in derivative instruments, including, without limitation swaps, options and forward contracts, to hedge exchange rate and interest rate risks and other risks associated with the investment strategies described above, in each case as permitted pursuant to the offering materials, disclosure documents and/or governing documents of the relevant KKR Fund or Other Client.

KKR employs various methods of analysis, including fundamental and technical methods, when analyzing potential investments. KKR utilizes multiple sources of information in analyzing investments, including financial newspapers and magazines, inspections of corporate activities, research material prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. KKR also uses industry magazines, third party consultants, lawyers, accountants, asset operators, regulatory filings filed with non-U.S. regulators, in-person meetings with company management, due diligence visits to operational facilities and other physical assets, discussions, as appropriate, with suppliers, customers and competitors, financial reports and projections, and information provided by strategic investors in KKR Funds and by investment banks. In addition, KKR Capstone, Senior Advisors and Industry Advisors often provide supplemental insights to KKR from a management consulting perspective and from the perspective of a C-level executive (i.e., “chief” executive officers or other senior officers) or board of directors. KKR has a roster of active Senior Advisors and Industry Advisors globally, many of whom have extensive corporate management expertise, having served as Chief Executive Officer, Chief Financial Officer, Chairman of the Board, or other comparable positions at large, industry-leading companies or governmental regulatory agencies. In conducting due diligence on investments in third party funds, KKR will use many of the above due diligence methods, as appropriate, in addition to a detailed review of fund governing documents in conjunction with external counsel and consultants.

Material Risk Relating to Methods of Investment Analysis

KKR seeks to conduct reasonable and appropriate analysis and due diligence of its investments based on the facts and circumstances applicable to each investment. The objective of such analysis and due diligence is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of most private equity and real asset investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence and making an assessment regarding an investment, KKR relies primarily on publicly available information and resources. KKR may also rely on information provided by the target of the investment and, in some

circumstances, third-party investigations. As a result, the due diligence process may at times be subjective. Accordingly, KKR cannot be certain that its due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity.

KKR will generally establish the capital structure of an investment and the terms and targeted returns of such investment on the basis of financial and other applicable projections. Projected operating results will normally be based primarily on investment professional judgments or third-party advice and reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be achieved, and actual results may vary significantly from the projections. General market, economic, environmental, and other conditions, which are not predictable, can have an adverse impact on the reliability of such projections. Assumptions or projections about asset lives; the stability, growth, or predictability of costs; demand; or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results.

Material Risks of Significant Investment Strategies

The risk factors briefly summarized below may not be applicable to all KKR Funds or Other Clients. Such summary does not purport to be a complete list or explanation of the risks involved in an investment in a KKR Fund or Other Client. The offering materials, disclosure documents and/or governing documents of each KKR Fund or Other Client (other than certain co-investment vehicles) will typically include a more detailed summary of material risks applicable to the KKR Fund or Other Client and its investment strategy and structure and should be read in conjunction with the risks below.

Private Equity Investments and General Risks

Investments made by KKR Funds and Other Clients, including private equity investments, involve a number of material risks including (but not limited to) the following:

Illiquid and Long-Term Investments Most KKR Fund and Other Client investments are highly illiquid, and there can be no assurance that a KKR Fund or Other Client will be able to realize these investments in a timely manner. The realizable value of a highly illiquid investment at any given time may be less than its intrinsic value. Although certain of these investments may generate current income, the return of capital, and the realization of gains, if any, with respect to most of these investments will occur only upon the partial or complete disposition of the investment. While an investment may be sold at any time, typically this will occur a number of years after the investment is made and there can be no assurance that a KKR Fund or Other Client will be able to dispose of an investment at the price and time it wishes to do so. Certain private equity investments may be in securities that are or become publicly traded. These investments may involve economic, political, interest rate, and other risks, any of which could result in an adverse change in their market price.

Market and Economic Risks KKR Fund and Other Client investments in portfolio companies may be materially and adversely affected by market, economic, and political conditions globally and in the jurisdictions and sectors in which the investments are made or the portfolio companies operate, including factors affecting interest rates, the availability of credit, currency exchange rates, and trade barriers. Ongoing events that began approximately six years ago have caused significant dislocations, illiquidity and volatility in global financial markets. Although financial markets have shown signs of improvement, global economic conditions remain tenuous, and to the extent that they do not improve or worsen, the investments of KKR Funds or Other Clients will be adversely impacted.

Availability of Suitable Investment Opportunities The success of a KKR Fund or Other Client's private equity strategy will depend on the ability of KKR to identify and select appropriate investment opportunities and to acquire these investments. The industries and sectors in which a KKR Fund or Other Client invests are highly competitive. KKR Funds and Other Clients compete for investments with operating companies, financial institutions, and other institutional investors as well as private equity, hedge, and other investment funds, which competition may adversely impact the availability of investments and the terms upon which they are effected and exited.

International Investments KKR Funds and Other Clients invest globally and in particular invest in emerging or developing market countries (including in Asia, Latin America and Africa). Investments in emerging and developing markets, as well as in certain more developed non-U.S. markets, involve certain factors not typically associated with investing in the U.S. or other developed countries, including risks relating to: (i) differences relating to local securities markets, including potential price volatility in and relative illiquidity of some overseas securities markets, the absence of uniform accounting, auditing, and financial reporting standards, practices, and disclosure requirements, and less government supervision and regulation; (ii) other differences in law and regulation, including fewer investor protections, less stringent fiduciary duties, less developed bankruptcy laws, and difficulty in enforcing contractual obligations; (iii) certain economic and political risks, including potential economic, political, or social instability, exchange control regulations, restrictions on foreign investment and repatriation of capital (possibly requiring government approval), expropriation or confiscatory taxation, higher rates of inflation, and reliance on a more limited number of commodity inputs, service providers, and/or distribution mechanisms; and (iv) the possible imposition of local taxes on income and gains recognized with respect to securities and assets. The risks of investing in emerging and developing markets, including the risks described above, are usually greater than the risks involved in investing in more developed markets.

Furthermore, KKR Funds or Other Clients may invest from time to time in European companies and companies that have operations that may be affected by the Eurozone economy. Recent concerns regarding the sovereign debt of various Eurozone countries and proposals for investors to incur substantial write-downs and reductions in the face value of certain countries' sovereign debt have given rise to new concerns about sovereign defaults, the possibility that one or more countries might leave the European Union or the Eurozone and various proposals (still under consideration and unclear in material respects) for support of affected countries and the Euro as a currency. The outcome of this situation cannot yet be predicted. Sovereign debt defaults and European Union and/or Eurozone exits, could have material adverse effects on investments by a KKR Fund or Other Client in European companies, including, but not limited to, the availability of credit to support such companies' financing needs, uncertainty and disruption in relation to financing, customer and supply contracts denominated in Euro and wider economic disruption in markets served by those companies, while austerity and other measures introduced in order to limit or contain these issues may themselves lead to economic contraction and resulting adverse effects for a KKR Fund or Other Client and its investments. It is possible that a number of KKR Fund or Other Client investments will be denominated in Euro. Legal uncertainty about the funding of Euro denominated obligations following any break up of or exits from the Eurozone (particularly in the case of investments in companies in affected countries) could also have material adverse effects on a KKR Fund or Other Client.

Regulatory Approvals There can be no assurance that a portfolio company targeted by a KKR Fund or Other Client will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility owned by a portfolio

company, the completion of a previously announced acquisition or sales to third parties, or could otherwise result in additional costs to a portfolio company.

Leverage KKR Fund and Other Client investments typically include investments in companies whose capital structures may have significant leverage (in addition to such leverage as may be generated by a particular investment by a KKR Fund or Other Client). Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. A highly leveraged entity may be subject to restrictive covenants imposed by lenders (or lenders other than a KKR Fund or Other Client, as appropriate) restricting its activity, or may be limited in making strategic acquisitions, or obtaining additional financing, and will have increased exposure to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Securities acquired by KKR Funds or Other Clients may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss in the case of the issuer's financial difficulty, or if an event of default occurs under the terms of the relevant financing and a lender decides to enforce its creditor rights. Events of default may in some cases be triggered by events not related directly to the borrower itself, such as the insolvency of a guarantor. A KKR Fund or Other Client's ability to achieve attractive rates of return will depend on its ability to access sufficient sources of indebtedness at attractive rates. An increase in either interest rates or risk spreads demanded by leverage providers could make it more expensive to finance investments by KKR Funds or Other Clients and could make it more difficult to compete for new investments with other potential buyers that have a lower cost of capital. In addition, a portion of the indebtedness used to finance investments may include high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when a KKR Fund or Other Client may not be able to access those markets at attractive rates, or at all, when completing an investment. Leverage may also be applied with respect to a KKR Fund or Other Client's portfolio as a whole or with respect to one or more investments, and the presence of such borrowings will magnify the volatility of such KKR Fund or Other Client's investment portfolio and may substantially increase the risk profile of a KKR Fund or Other Client and its investments.

Minority Investment Positions; Investments with Third Parties Investments may be made by a KKR Fund or Other Client in portfolio companies in conjunction with one or more other investors. Although KKR, on behalf of a KKR Fund or Other Client, will typically negotiate shareholder rights that give a KKR Fund or Other Client significant influence over the direction of the portfolio company, it will not always do so and in any event, certain major decisions generally may require the consent of other investors, thereby lessening a KKR Fund or Other Client's control and, therefore, its ability to protect the position of the relevant KKR Fund or Other Client. In addition, a KKR Fund or Other Client may co-invest with third parties through partnerships, joint ventures or other entities, which may have larger or controlling ownership interests in such portfolio companies. These investments may involve risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on the investment, may have economic or business interests or goals that are inconsistent with those of KKR, a KKR Fund or Other Client, or may be in a position to take (or block) action in a manner contrary to the relevant KKR Fund or Other Client's investment objectives. In addition, the investing KKR Fund or Other Client may in certain circumstances be liable for the actions of its third-party co-investors. Investments made with third parties in joint ventures or other entities also may involve compensation arrangements including carried interest distributions and/or other compensation payable to such third-party partners or co-investors, particularly in those circumstances where such third-party partners or co-investors include a management group.

Interest Rate Risk KKR Fund or Other Client investments may expose a KKR Fund or Other Client to interest rate risk, meaning that changes in prevailing market interest rates could negatively affect the value of such investments. Factors that may affect market interest rates include, without limitation,

inflation, deflation, slow or stagnant economic growth or recession, unemployment, money supply, governmental monetary policies, international disorders and instability in domestic and foreign financial markets. A KKR Fund or Other Client may periodically experience imbalances in the interest rate sensitivities of its assets and liabilities and the relationships of various interest rates to each other, which could adversely affect their performance.

As indicated above, KKR Fund or Other Client investments can be highly leveraged. As such, movements in the level of interest rates may affect the returns from these assets more significantly than other assets in some instances. The structure and nature of the debt encumbering and these assets may therefore be an important element to consider in assessing the interest risk of the infrastructure asset. In particular, the type of facilities, maturity profile, rates being paid, fixed versus variable components and covenants in place (including the manner in which they affect returns to equity holders) are crucial factors in assessing any interest rate risk.

Currency Risk KKR Fund or Other Client investments and income received from such investments may be denominated in various currencies that are not the base currency of the relevant KKR Fund or Other Client. Changes in currencies may adversely affect the base currency value of portfolio investments, interest, dividends and other revenue streams received by a KKR Fund or Other Client, gains and losses realized on the sale of portfolio investments, and the amount of distributions, if any, to be made by a KKR Fund or Other Client. A KKR Fund or Other Client may also incur costs in converting investment proceeds from one currency to another. Where practicable, a KKR Fund or Other Client may enter into hedging transactions designed to reduce such currency risks or may determine not to enter into such hedging transactions (please see “Hedging” below). Furthermore, the portfolio companies in which a KKR Fund or Other Client invests may be subject to risks relating to changes in currency values, as described above. If a portfolio company suffers adverse consequences as a result of such changes, a KKR Fund or Other Client may also be adversely affected as a result.

Hedging KKR, on behalf of a KKR Fund or Other Client, may utilize swaps, forward contracts, and other arrangements to seek to preserve a return on a particular KKR Fund or Other Client investment or to seek to protect against risks relating to KKR Fund or Other Client investments, including currency exchange rate or interest rate fluctuations. Such transactions have special risks associated with them, including the possible bankruptcy, or insolvency of, or default by the counterparty to the transaction and the illiquidity of the derivative instrument acquired by the relevant KKR Fund or Other Client relating thereto. Although a KKR Fund or Other Client may benefit from the use of hedging transactions, changes in currency exchange rates or other factors may result in a poorer overall performance for a KKR Fund or Other Client compared to what a KKR Fund or Other Client’s performance would have been if it had not entered into hedging transactions and the costs associated with these arrangements may reduce the returns that a KKR Fund or Other Client would have otherwise achieved if these hedging transactions were not entered into by a KKR Fund or Other Client. In addition, KKR may not utilize hedging transactions, which may result in a poorer overall performance for a KKR Fund or Other Client compared to what a KKR Fund or Other Client’s performance would have been if KKR utilized hedging transactions to seek to preserve a return on a particular KKR Fund or Other Client investment or to seek to protect against risks relating to KKR Fund or Other Client investments. It is not possible to hedge fully or perfectly against currency fluctuations affecting the value of investments denominated in non-U.S. currencies because the value of those investments is likely to fluctuate as a result of independent factors not related to currency fluctuations. Portfolio companies may also enter into hedging transactions in order to hedge risks applicable to them. Such transactions are subject to similar risks to those described above. A KKR Fund or Other Client may be exposed to such risks by reason of its investment in the relevant portfolio company.

Debt Investments Certain KKR Funds and Other Clients have invested and may invest in debt instruments and in portfolio companies established by KKR and advised by KKR Credit that make investments in debt securities and instruments (please see Items 10 and 11 below for additional information). In the absence of appropriate hedging measures, changes in interest rates generally will cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. Sub-participation interests in syndicated debt may be subject to certain risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments. Issuers of debt investments may be or become involved in bankruptcy or other reorganization and liquidation proceedings. Such investments involve a substantial degree of risk.

Corruption and Fraud Government Agency and other counterparties may have the right to terminate an agreement relating to a portfolio company where management, any related third party management company, operator or any of their affiliates has committed bribery, corruption or other fraudulent act in connection with the investment by a KKR Fund or Other Client in such portfolio company. Most capital put toward such an investment will not be compensated in these circumstances. In addition, certain investment activities could be more susceptible to irregular accounting or other fraudulent practices. In the event of fraud by any company in which a KKR Fund or Other Client invest, the KKR Fund or Other Client may suffer a partial or total loss of capital invested in that company.

Insurance A KKR Fund or Other Client or its affiliates may maintain insurance, where available on terms it believes to be commercially reasonable, for a KKR Fund or Other Client portfolio companies and investments to protect against certain risks, such as business interruption insurance that is intended to offset loss of revenues during an operational interruption. Such insurance is likely to be subject to customary deductibles and coverage limits and may not be sufficient to recoup all losses with respect to the relevant investment. There can be no assurance that an investment's insurance would cover liabilities resulting from claims relating to the design, construction, maintenance, or operation of the real assets and businesses in which a KKR Fund or Other Client may invest, lost revenues, or increased expenses resulting from such damage.

With respect to companies and assets acquired by a KKR Fund or Other Client, certain losses of a catastrophic nature, such as wars, natural disasters, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts for additional premiums which can greatly increase the total costs of casualty insurance for a property. As a result, investments may not be insured against terrorism or other risks. If a major uninsured loss occurs, a KKR Fund or Other Client could lose both invested capital in and anticipated profits from the affected investments.

Terrorism KKR Fund or Other Client investments may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near

strategic assets would likely cause significant harm to employees, property, and, potentially, the surrounding community, and may result in liability with respect to a portfolio company far in excess of available insurance coverage. A terrorist attack on an asset may also have adverse consequences for assets of that type or in the same vicinity, including those owned by a portfolio company, and may result in a portfolio company being forced to increase preventative security measures or expand its insurance coverage (if available), adversely affecting the profitability of the investment. Terrorist attacks may reduce the availability of insurance coverage going forward for losses arising from similar events. A terrorist attack could cause reduced patronage, usage, and demand for an entire class of assets or for assets in the region of the terrorist attack, either of which could adversely affect an investment's profitability.

Recourse to a KKR Fund or Other Client's Assets A KKR Fund or Other Client's assets, including any investments made by a KKR Fund or Other Client and any funds held by a KKR Fund or Other Client, may be available to satisfy all liabilities and other obligations of a KKR Fund or Other Client. If a KKR Fund or Other Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a KKR Fund or Other Client's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

Risks of Multi-Step Acquisitions In the event KKR chooses to effect a transaction by means of a multi-step acquisition (such as a first-step cash tender offer or stock purchase followed by a merger), there can be no assurance that the remainder can be successfully acquired. This could result in a KKR Fund or Other Client having only partial control over the investment or partial access to its cash flow to service debt incurred in connection with the acquisition.

Real Assets Investments

Real asset investments made by KKR Funds or Other Clients generally involve the types of material risks discussed above in respect of private equity investments and general risks. In addition, certain other material risks may be particularly relevant to these investments as summarized below:

Environmental Matters Ordinary operation or the occurrence of an accident with respect to a real asset could cause major environmental damage, which may result in significant financial distress to such asset if not covered by insurance. In addition, persons who arrange for the disposal or treatment of hazardous materials may also be liable for the costs of removal or remediation of these materials at the disposal or treatment facility, whether or not that facility is or ever was owned or operated by those persons. Certain environmental laws and regulations may require that an owner or operator of an asset address prior environmental contamination, which could involve substantial cost. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of environmental contamination and may impose liability on a KKR Fund or Other Client.

Furthermore, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of its acquisition and that could not have been foreseen. Community and environmental groups may protest about the development or operation of real assets, which may induce government action to the detriment of the relevant KKR Fund or Other Client. New and more stringent environmental or health and safety laws, regulations, and permit requirements, or stricter interpretations of current laws, regulations, or requirements, could impose substantial additional costs on a portfolio company, or could otherwise place a portfolio company at a competitive disadvantage compared to alternative forms of investment, and failure to comply with any such requirements could have an adverse effect on a portfolio company.

Even in cases where a KKR Fund or Other Client is indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of a KKR Fund or Other Client to achieve enforcement of such indemnities.

Construction KKR Funds or Other Clients may make real asset investments that may include both existing assets or businesses and in “Greenfield” assets. These real asset investments may face construction risks typical for businesses in infrastructure, energy or real estate, including, without limitation: (i) labor disputes, shortages of material and skilled labor, or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; (vi) catastrophic events such as explosions, fires, and terrorist activities, and other similar events and (vii) risks associated with holding direct or indirect interests in undeveloped land or underdeveloped real property. These risks could result in substantial unanticipated delays or expenses (which may exceed expected or forecasted budgets) and, under certain circumstances, could prevent completion of construction activities once undertaken.

Certain real asset investments may remain in construction phases for a prolonged period and, accordingly, may not be cash generative for a prolonged period. While the intention of a KKR Fund or Other Client in respect of any investment may be for construction works to be contracted to a construction contractor on a fixed price basis with liquidated damages payable to a KKR Fund or Other Client where delay is caused that is attributable to the contractor, the related contractual arrangements made by a KKR Fund or Other Client may not be as effective as intended and/or contractual liabilities on the part of a KKR Fund or Other Client may result in unexpected costs or a reduction in expected revenues for a KKR Fund or Other Client. In addition, recourse against the contractor may be subject to liability caps or may be subject to default or insolvency on the part of the contractor.

Force Majeure The operations of a KKR Fund or Other Client investments in real assets are exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events, including, without limitation, wars, labor strikes, cyclones, earthquakes, landslides, floods, tsunamis, explosions, fires, terrorist attacks, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, toll rates, social instability, and competition from other forms of infrastructure. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on a portfolio company.

Asset-Level Management The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with KKR, a KKR Fund or Other Client. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the portfolio company’s best interest, or the breach by an operator of applicable agreements or laws, rules, and regulations, could have an adverse effect on the portfolio company’s financial condition or results of operations. A third-party management company may suffer a business failure, become bankrupt, or engage in activities that compete with a portfolio company. These and other risks, including the deterioration of the business relationship between KKR, a KKR Fund or Other Client and the third-party management company, could have an adverse effect on a portfolio company. Should a third-party management company fail to perform its functions satisfactorily,

it may be necessary to find a replacement operator, which may require the approval of a government or agency that has granted a concession with respect to the relevant portfolio company. It may not be possible to replace an operator in such circumstances, or do so on a timely basis, or on terms that are acceptable to a KKR Fund or Other Client.

Subcontractors Real asset investments may involve the subcontracting of design and construction activities in respect of projects. The subcontractors responsible for the construction of a project asset will normally retain liability in respect of design and construction defects following the construction of the asset, subject to liability caps and statutory limitations. The contractual arrangements made by a KKR Fund or Other Client or a third-party management company may not be as effective in passing on risks to its subcontractors as intended and this may result in unexpected costs or a reduction in expected revenues for a KKR Fund or Other Client. Certain provisions in sub-contracts intended to pass risk could be ineffective. In addition to this financial liability, the construction subcontractors may also have an obligation to return to site in order to carry out any remedial works required for a pre-agreed period. A KKR Fund or Other Client may not normally have recourse to any third party for any defects which arise after the expiry of limitation periods. If a subcontractor to a third-party management company fails to perform the services which it has agreed to provide, a KKR Fund or Other Client may fail to meet the service standards it has agreed with certain counterparties and there may be a reduction in the actual income received that was anticipated by a KKR Fund or Other Client and/or claims by the counterparties against a KKR Fund or Other Client for damages. These reductions and/or claims are typically passed on to the relevant subcontractor, subject to any contractual liability caps. If there is a subcontractor service failure and the relevant subcontractor or its guarantors or insurers fail to meet their obligations in respect of the liabilities that have been passed on to them, then, to the extent the liability cannot be set off, a KKR Fund or Other Client will not be compensated for any reductions in payments and/or claims made by counterparties which they may suffer as a result of the subcontractor's service failure. Ultimately such service failure could lead to termination of a project agreement.

In some instances a single subcontractor may be responsible for providing services to various real asset investments. In such instances, the default or insolvency of such single subcontractor could adversely affect a number of the real asset investments. If there is a subcontractor service failure which is sufficiently serious to cause a KKR Fund or Other Client or third-party management company to terminate a subcontract, or an insolvency in respect of a subcontractor, or a counterparty requires a KKR Fund or Other Client to terminate a sub-contract in such event, there may be a loss of revenue during the time taken to find a replacement subcontractor and the replacement subcontractor may levy a surcharge to assume the subcontract or charge more to provide the services. There will also be costs associated with the re-tender process. These may not be recoverable from the defaulting subcontractor.

Infrastructure Investments

Infrastructure investments made by KKR Funds or Other Clients generally involve many of the material risks discussed above in respect of private equity and real asset investments. In addition, the material risks discussed below that are particularly relevant to these investments should be noted.

Government and Agency Risk In many instances, the provision or acquisition of infrastructure investments involves an ongoing commitment to a municipal, state or federal government and/or regulatory agencies ("**Government Agencies**"). The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. Government Agencies may impose conditions on the construction, operations, and activities of an investment as a condition to granting their approval or to satisfy regulatory requirements. This may include requirements that such investments remain managed by a general partner of a KKR Fund, a KKR Fund or Other Client, or their affiliates, which may limit the ability of a KKR Fund or Other Client to

dispose of investments at opportune times. This may include requirements that such investments remain managed by KKR or its affiliates, which may limit the ability to dispose of investments at opportune times. Government Agencies may have considerable discretion to change or increase regulation of the operations of an infrastructure investment or to otherwise implement laws, regulations, or policies affecting its operations, separate from any contractual rights that the Government Agency counterparties may have. Accordingly, additional or unanticipated regulatory approvals may be required to acquire infrastructure investments, and additional approvals may become applicable in the future due to, among other reasons, a change in applicable laws and regulations or a change in the investment's customer base.

In addition, since many portfolio companies in the infrastructure sector will provide basic, everyday services and face limited competition, Government Agencies may be influenced by political considerations and may make decisions that adversely affect a portfolio company's business. Certain types of infrastructure investments are very much in the "public eye" and politically sensitive and as a result any related investments by a KKR Fund or Other Client may attract an undesirable level of publicity. Additionally, pressure groups and lobbyists may induce Government Agency action to the detriment of the relevant KKR Funds or Other Clients as the owners of the relevant asset or business. There can be no assurance that the relevant government will not legislate, impose regulations, or change applicable laws, or act contrary to the law in a way that would materially and adversely affect the business of a portfolio company. The profitability of certain types of investments may be materially dependent on government subsidies being maintained (for example, government programs encouraging the development of certain technologies such as solar and wind power generation). Reductions or eliminations of such subsidies may have a material adverse impact on a KKR Fund or Other Client.

Inflation Risk If an infrastructure investment is unable to generate increased revenue in times of higher inflation, its profitability may be adversely affected. Some related portfolio companies may have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. Typically, as inflation rises, a portfolio company will earn more revenue, but will incur higher expenses; as inflation declines, a portfolio company may not be able to reduce expenses in line with any resulting reduction in revenue. Many such businesses rely on concessions to mitigate the inflation risk to cash flows through escalation provisions linked to the inflation rate. While these provisions may protect against certain risks, they do not protect against the risk of a rise in real interest rates, which is likely to create higher financing costs for such businesses and a reduction in the amount of cash available for distribution to investors.

Commodity Price Risk Infrastructure investments may be subject to commodity price risk. The operation and cash flows of any investment may depend, in some cases to a significant extent, upon prevailing market prices of commodities. Commodity prices may fluctuate depending on a variety of factors, including, without limitation, weather conditions, foreign and domestic supply and demand, force majeure events, changes in laws, governmental regulations, price and availability of alternative commodities, international political conditions, and overall economic conditions.

Concessions, Leases, and Public Ways An infrastructure investment's operations may rely on government licenses, concessions, leases, or contracts that are generally very complex and may result in a dispute over interpretation or enforceability. Even though most permits and licenses applicable to a KKR Fund or Other Client's investments are generally obtained prior to the commencement of full project operations, many of these licenses and permits have to be maintained over the project's life and a failure to do so may involve monetary penalties or the loss of rights to operate the affected asset, or both. Where concessions or leases are held from a Government Agency, such arrangements are subject to special risks as a result of the nature of the counterparty. The concession or lease may restrict the operation of the relevant asset or business in a way that maximizes cash flows and profitability. The lease or concession may also contain clauses more favorable to the government counterparty than a typical commercial

contract. In addition, there is the risk that the relevant Government Agency will exercise sovereign rights and take actions contrary to the interests of KKR, the relevant KKR Funds or Other Clients, or KKR Fund or Other Client portfolio companies. Poor performance and other events during construction or operating phases may lead to termination of the relevant concession or lease agreement, which may or may not provide for compensation to the relevant portfolio company. If it does, as the portfolio company would generally be deemed to have been “at fault,” then often the amount of any related senior debt may not be paid out in full and compensation for lost equity returns may not be provided.

Certain infrastructure investments may require the use of public ways or may operate under easements. Government Agencies may retain the right to restrict the use of such public ways or easements or require a portfolio company to remove, modify, replace, or relocate facilities relating to infrastructure assets at its own expense. If a Government Agency exercises these rights, a portfolio company could incur significant costs and its ability to provide service to its customers could be disrupted, which could adversely impact the performance of such investment.

Rate Risk Services provided by portfolio companies comprising infrastructure investments may be subject to rate regulation by a Government Agency that determines or limits the prices that may be charged, particularly if the relevant portfolio company is the sole or predominant service provider in its service area or provides services that are essential to the community. The portfolio company may be subject to unfavorable regulatory determinations that may be final with no right of appeal or that, despite a right of appeal, could result in its profits being negatively affected and investments not meeting initial return expectations. Services provided by portfolio companies may be subject to rate regulation by a Government Agency that determines or limits the prices that may be charged, particularly if the relevant portfolio company is the sole or predominant service provider in its service area or provides services that are essential to the community. The portfolio company may be subject to unfavorable regulatory determinations that may be final with no right of appeal or that, despite a right of appeal, could result in its profits being negatively affected and investments not meeting initial return expectations, as discussed in “Government and Agency Risk” above.

Public Demand and Usage KKR Funds or Other Clients may invest in portfolio companies that derive substantially all of their revenues from tolls, tariffs, or other usage or throughput-related fees. Users of the applicable service provided by a portfolio company may react negatively to any adjustments to the applicable rates, or public pressure may cause a Government Agency to challenge such rates. In addition, adverse public opinion, or lobbying efforts by specific interest groups, could result in Government Agency pressure on a portfolio company to reduce its rates or to forego planned rate increases. KKR cannot guarantee that Government Agencies with which a portfolio company has concession agreements will not try to exempt certain users from tolls, tariffs, or other fees or negotiate lower rates.

Government or Counterparty Default Infrastructure investments may involve contractual agreements between a KKR Fund or Other Client and certain counterparties, under which a KKR Fund or Other Client will seek to receive revenue. There are possibilities of default in such agreements by such counterparties in relation to their creditworthiness and power to enter into such agreements. It is not certain that a counterparty will itself not default on its obligations or that a central government will in all cases assume liability for the obligations of its local and state governments in the event of their default.

Investments in Energy

Energy investments made by KKR Funds or Other Clients involve many of the material risks discussed above in respect of private equity and real asset investments. In addition, the material risks discussed

below that are particularly relevant to these investments should be noted. References below to “**Operators**” are to operating companies (which may include RPM, as described in Item 5) engaged by KKR in the course of implementing its energy investment strategy to augment KKR’s investment expertise with the technical capabilities and operational abilities needed to diligence, manage, improve and exploit acquired natural resources.

Energy Industry The energy industry is subject to comprehensive federal, state and local laws and regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect these investments. In addition, estimates of hydrocarbon reserves by qualified engineers are often a key factor in valuing certain energy companies or assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves.

Oil and Gas Prices Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors. These factors include, but are not limited to, weather conditions, the condition of the United States economy, political stability in the Middle East and elsewhere, terrorist acts, the foreign and domestic supplies of oil and gas, the price and level of foreign oil imports, the price, availability and acceptance of alternate fuel sources, the availability of pipeline capacity, transportation interruption, domestic and foreign governmental regulations, price controls and taxes, domestic and foreign environmental laws and regulations, the level of consumer demand and the overall economic environment, including interest rates, levels of economic activity, the price of securities and the participation by other investors in the financial markets. Any substantial and extended decline in the price of oil or gas would have an adverse effect on the value of investments by KKR Funds or Other Clients in this sector. Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Operating Risks The operation of oil and gas and other natural resource properties is subject to numerous risks inherent in the energy industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes and environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage and suspension of operations. Any offshore operations of a KKR Fund or Other Client investment will be subject to a variety of operating risks peculiar to the marine environment, such as hurricanes or other adverse weather conditions, to more extensive governmental regulation, including regulations that may, in certain circumstances, impose strict liability for pollution damage, and to interruption or termination of operations by Government Agencies based on environmental or other considerations. The operations of an investment could result in liability for personal injuries, property damage, oil spills, discharge of hazardous materials, remediation and clean-up costs and other environmental damages and for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred in respect of these investments.

Demand for Oil and Gas The success of KKR Fund or Other Client investments in this sector is materially dependent upon the demand for oil and gas. The availability of a ready market for the oil and gas production generated from KKR Fund or Other Client investments in this sector will depend on a number of factors beyond a KKR Fund or Other Client’s control including the demand for, and supply of, oil and gas, the availability of alternative energy sources, the proximity of reserves to and the capacity of,

oil and gas gathering systems, pipelines or trucking and terminal facilities. These investments may also have to shut-in some of their wells temporarily due to a lack of market or adverse weather conditions including hurricanes. In addition, federal and state regulation of oil and gas production and transportation, general economic conditions and changes in supply and demand could adversely affect an investment's ability to produce and market oil and gas on a profitable basis. Any significant change in the ability to produce and market the oil and gas production generated from KKR Fund or Other Client investments could have a material adverse effect on a KKR Fund or Other Client's financial condition and results of operations.

Drilling and Engineering Risks The revenues and operating results of a KKR Fund or Other Client's energy investments will be dependent upon the success of the relevant Operator's exploitation, development, construction and drilling activities. These oil and gas activities involve numerous risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. The timing and cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements, work stoppages and labor disputes, unforeseen engineering, environmental and geological problems, unanticipated cost increases, inflation and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Acquisition Strategy A KKR Fund or Other Client's strategy in this sector depends on the ability to acquire oil and gas properties at appropriate prices. While such opportunities may exist in the current market, there can be no assurance that KKR will be able to identify suitable acquisition opportunities or finance and complete any particular acquisition successfully. Furthermore, acquisitions involve a number of risks and challenges, including difficulty in assuming recoverable reserves, future production rates, operating costs, infrastructure requirements, environmental and other liabilities and factors beyond a KKR Fund or Other Client's control. As a result, the KKR Fund or Other Client may not recover its investment in a property from the sale of production from the property, or may not recognize an acceptable return from investments it makes. Any of these factors could adversely affect a KKR Fund or Other Client's ability to achieve anticipated levels of cash flows or realize other anticipated benefits of investments.

Royalty Interest Risks KKR Funds or Other Clients will generally receive revenues from investments in oil and gas royalty revenues only upon sales of oil, gas and other hydrocarbon production by the underlying property or upon sale of the royalty interests themselves. There can be no assurance that reserves sufficient to provide the expected royalty income will be discovered, developed or produced when anticipated, if at all.

Other Regulations Applicable to the Oil and Gas Industry Oil and gas drilling, handling and transportation are extensively regulated, statutory and regulatory requirements may include those imposed by energy, zoning, environmental, health, safety, labor and other regulatory or political authorities. Failure to obtain or a delay in the receipt of relevant governmental permits or approvals, including regulatory approvals, could hinder operation of an Investment and result in fines or additional costs. Obtaining permits and approvals or complying with ongoing regulatory requirements may be costly and/or time-consuming. Moreover, the adoption of new laws or regulations, changes in the interpretation of existing laws or regulations or changes in the persons charged with political oversight of such laws or regulations could have a material adverse effect upon investments by a KKR Fund or Other Client and could necessitate the restructuring of KKR Fund or Other Client investments in order to meet regulatory requirements, which may be costly and/or time-consuming.

Legislation and Regulatory Initiatives Relating to Hydraulic Fracturing Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural

gas, from tight formations. Certain KKR Fund or Other Client assets and operating partnerships may routinely utilize hydraulic fracturing techniques in many of their natural gas well drilling and completion programs. The process is typically regulated in the United States involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. The process is typically regulated by state authorities; however, the U.S. Environmental Protection Agency (the “EPA”) has asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act’s Underground Injection Control Program. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and legislation has been introduced before the U.S. Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. In addition, some states have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. Moreover, certain municipalities have tried to ban hydraulic fracturing. Public opposition to hydraulic fracturing, due in part to concerns over groundwater contamination, may encourage additional regulation of the industry. If new laws or regulations that significantly restrict hydraulic fracturing are adopted, such laws could make it more difficult or costly for assets and operating partnerships in which KKR Funds or Other Clients invest to perform fracturing to stimulate production from tight formations. In addition, if hydraulic fracturing becomes regulated as a general matter at the federal level as a result of federal legislation or regulatory initiatives by the EPA, fracturing activities by assets and operating partnerships in which KKR Funds or Other Clients invest could become subject to additional permitting requirements, and also to attendant permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and gas that the assets in which KKR Funds or Other Clients invest are ultimately able to produce from their reserves. Similar risks and limitations are also present in non-U.S. jurisdictions.

Technology Innovation The oil and gas industry routinely develops new technologies to enhance the recovery of reserves, thereby increasing recoverable amounts and/or the improving the cost of recovery. While oil and gas assets may benefit from such technologies, there can be no assurance that technology innovation will not favor properties of a type not held by a KKR Fund or Other Client, which would place a KKR Fund or Other Client in a competitive disadvantage and drive down the value of its assets.

Unavailability of Equipment or Personnel The energy industry is cyclical and, from the time to time, there is a shortage of equipment, supplies, drilling rigs or qualified personnel. During these periods, the costs and delivery times for equipment, supplies and rigs are substantially greater. In addition, demand for, and wage rates of, qualified drilling rig crews rise with increases in the number of active rigs in service. If the unavailability or high cost of drilling rigs, equipment, supplies or qualified personnel were particularly severe, a KKR Fund or Other Client’s investments could be materially and adversely affected.

Taxation of Oil and Gas Properties Investments in properties in the oil and gas industry may be subject to numerous taxes and fees by the jurisdiction in which such companies are organized or operate. Properties engaged in oil and gas operations or having substantial real property holdings, in particular, may be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil productions fees, real estate taxes and stamp duties.

Projections and Third-Party Reports in the Energy Sector There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and their values. Estimates of oil and gas reserves, by necessity, are projections based on engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment.

Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend on a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected from such reserves may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves.

Hedging Transactions in the Energy Sector

KKR, on behalf of a KKR Fund or Other Client, may enter in a typical oil and gas hedge transaction, where an operating partnership in which a KKR Fund or Other Client has made an investment has the right to receive from the hedge counterparty the excess of the fixed price specified in the hedge agreement over a floating price based on a market index, multiplied by the portion of production hedged. If the floating price exceeds the fixed price, the operating partnership must pay the counterparty this difference multiplied by the portion of production hedged even if the operating partnership and its assets had insufficient production to cover the quantities specified in the hedge agreement. Accordingly, if the operating partnership has less production than it has hedged when the floating price exceeds the fixed price, the operating partnership must make payments against which there are no offsetting sales of production. These payments made by virtue of the oil and gas hedge transaction may have an adverse effect on a KKR Fund or Other Client and, as a result, on a KKR Fund or Other Client's investment returns. In addition, KKR may not utilize such a hedging transaction, which may result in a poorer overall performance and investment returns for a KKR Fund or Other Client compared to what a KKR Fund or Other Client's performance would have been if KKR had utilized such a hedging transaction.

Technical Partners

KKR Funds or Other Clients expect to engage, directly or indirectly through entities in which it invests, one or more technical partners to provide operating services relating to investments by a KKR Fund or Other Client, including: hydrocarbon production; hydrocarbon sales; royalty payment; asset management; property management; risk management; land, marketing and engineering services; business development; asset acquisition and aggregation services; plugging and abandonment services; environmental compliance and remediation; and general and administrative services (i.e., Technical Partners). For rendering its services, a Technical Partner will be entitled to receive reimbursement of its internal and external expenses plus remuneration, which remuneration may include, among other things, the granting of a profit participation in certain investments by a KKR Fund or Other Client and/or a capital interest in such investments or the underlying assets. This remuneration is borne out of cash flows of a KKR Fund or Other Client's investments and is not specially borne by KKR or the relevant general partner through a reduction of the management fee or carried interest. While this remuneration is intended to compensate and incentivize Technical Partners and align their interests with those of a KKR Fund or Other Client, there can be no assurance that it will do so. Moreover, there can be no assurance that KKR will continue to retain the operating services of the Technical Partners throughout the life of a KKR Fund or Other Client.

Investments in Real Estate

Real estate investments made by KKR Funds or Other Clients generally involve many of the material risks discussed above in respect of private equity and real asset investments. In addition, the material risks discussed below that are particularly relevant to these investments should be noted.

Real Estate Investments Generally A KKR Fund or Other Client's real estate investments will be subject to, without limitation, the burdens of ownership of real property, general and local economic conditions, the supply and demand for properties, energy and supply shortages, fluctuations in average occupancy and room rates, the financial resources of tenants, changes in availability of debt financing which may render the sale or refinancing of properties difficult or impracticable, changes in building, environmental and other laws and/or regulations, zoning laws, changes in real property tax rates, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel or leasing activity, environmental liabilities, contingent liabilities on disposition of assets, uninsured or uninsurable casualties, acts of God, terrorist attacks and war and other factors which are beyond the control of a KKR Fund or Other Client or their affiliates.

In addition, a KKR Fund or Other Client's investments will be subject to various risks which may cause fluctuations in occupancy, rental rates, operating income and expenses or which may render the sale or financing of its properties difficult or unattractive. In addition, declining economic conditions may impair a KKR Fund or Other Client's ability to attract replacement tenants and achieve rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require a KKR Fund or Other Client to make capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that a KKR Fund or Other Client undertakes may divert cash that would otherwise be available for distribution to investors or require additional capital commitments. Ultimately, to the extent that a KKR Fund or Other Client is unable to renew leases or re-let space as leases expire, decreased cash flow from tenants will result, which could adversely impact a KKR Fund or Other Client's operating results.

A KKR Fund or Other Client may be required to expend funds to correct defects or to make improvements before a property can be sold. In acquiring a property, KKR on behalf of a KKR Fund or Other Client may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed on that property. These factors and others that could impede a KKR Fund or Other Client's ability to respond to adverse changes in the performance of its properties could significantly affect a KKR Fund or Other Client's financial condition and operating results.

In some instances, the principal asset of the lessee of a KKR Fund or Other Client property may be only the tenant's improvements thereon, or the liability of the lessee may be limited to its interest in such improvements. In those cases, a KKR Fund or Other Client will be required to rely on the lessee's equity interest in the improvements for its security. In the event of a default by a lessee or other premature termination of a lease, a KKR Fund or Other Client may experience delays in enforcing its rights as lessor, may incur substantial costs in protecting its investment and may experience an impairment of value.

Further, because a KKR Fund or Other Client may invest in real estate investment trusts ("**REITs**"), the relevant KKR Fund or Other Client may also be subject to certain risks associated with direct investments in REITs. REITs may be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time. In addition, the performance of a REIT may be affected by changes in the tax laws or by its failure to qualify for tax-free pass-through of income.

Certain of a KKR Fund or Other Client's real estate debt investments may be unsecured and may be structurally or contractually subordinated to substantial amounts of indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness or the provision of collateral to other indebtedness, and there may be no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including, without limitation, investor demand, changes in the financial condition of companies in which a KKR Fund or Other Client invests, government fiscal policy and domestic or worldwide economic conditions.

Risks of Acquiring Real Estate Loans and Participations Real estate loans or participation interests therein acquired by a KKR Fund or Other Client may be non-performing at the time of their acquisition or may become non-performing after their acquisition for a wide variety of reasons. Such non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that a KKR Fund or Other Client may find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a KKR Fund or Other Client. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a real estate loan including, without limitation, lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some states or other jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Investments in Land/New Development A KKR Fund or Other Client may acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing. To the extent that a KKR Fund or Other Client invests in such assets, it will be subject to the risks normally associated with such assets and development activities. Such risks include, without limitation, risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of a KKR Fund or Other Client, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on a KKR Fund or Other Client. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that makes such development less attractive than at the time it was commenced.

Risks in Effecting Operating Improvements In some cases, the success of a KKR Fund or Other Client's investment strategy will depend, in part, on the ability of such KKR Fund or Other Client to restructure and effect improvements in the operations of a portfolio entity or its properties. The activity of identifying and implementing restructuring programs and operating improvements at portfolio entities entails a high degree of uncertainty. There can be no assurance that a KKR Fund or Other Client will be able to successfully identify and implement such restructuring programs and improvements.

Real Estate Market Conditions A KKR Fund or Other Client's strategy may in some investments be based, in part, upon the premise that real estate businesses and assets will become available for purchase by a KKR Fund or Other Client at prices that KKR considers more favorable. Further, KKR's strategy for a KKR Fund or Other Client investment may rely, in part, upon the continuation of existing market conditions (including, for example, supply and demand characteristics) or, in some circumstances, a recovery or improvement in market conditions over the projected holding period for the investments. No assurance can be given that real estate businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will remain stable or, as applicable, recover or improve, since this will depend upon events and factors outside the control of a KKR Fund or Other Client.

Financial Condition of Tenants Adverse changes in the operation of any property, or the financial condition of any tenant, could have an adverse effect on a KKR Fund or Other Client's ability to collect rent payments and, accordingly, on its ability to make distributions to investors. A tenant may experience, from time to time, a downturn in its business which may weaken its financial condition and result in its failure to make rental payments when due. At any time, a tenant may seek the protection of applicable bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease or other adverse consequences and thereby cause a reduction in the distributable cash flow. No assurance can be given that tenants will not file for bankruptcy protection in the future or, if they do, that their leases will continue in effect.

Commercial Mortgage Loans A KKR Fund or Other Client may invest in commercial mortgage loans, which are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. In addition, certain of the mortgage loans in which a KKR Fund or Other Client invests may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

A KKR Fund or Other Client may also invest in residential mortgage loans, which are secured by single-family residential property and are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans. Asset-backed securities are bonds or notes backed by loans and/or other financial assets. The ability of a borrower to repay these loans or other financial assets is dependent upon the income or assets of these borrowers.

In the event of any default under a mortgage loan held directly by a KKR Fund or Other Client, it will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the

principal and accrued interest of the mortgage loan, which could have a material adverse effect on the profitability of such KKR Fund or Other Client. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Foreclosure of a mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. Residential mortgage-backed securities evidence interests in or are secured by pools of residential mortgage loans and commercial mortgage-backed securities evidence interests in or are secured by a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage-backed securities in which a KKR Fund or Other Client may invest are subject to all of the risks of the underlying mortgage loans.

Investments in Troubled Assets/ Bankruptcy Considerations A KKR Fund or Other Client may make investments in real estate-related assets and businesses which are distressed or experiencing or are expected to experience severe financial difficulties that may never be overcome. There may be little or no near-term cash flow available to the relevant KKR Fund or Other Client's investors. Since a KKR Fund or Other Client may only make a limited number of investments and since many of the investments may involve a high degree of risk, poor performance by few of the investments could severely affect the total returns to the investors.

A KKR Fund or Other Client may make investments in non-performing, sub-performing, distressed, undercapitalized or other troubled real estate and real estate-related assets, which may involve a high degree of financial risk. As a result of the speculative nature of a KKR Fund or Other Client's investments, the possibility of partial or total loss of capital will exist.

Investments made in assets operating in workout modes or under bankruptcy, insolvency or other debtor-protection codes could, if a KKR Fund or Other Client inappropriately exercises control over the management and policies of the debtors, be subordinated or disallowed, and a KKR Fund or Other Client could be liable to third parties in such circumstances. Furthermore, distributions made to a KKR Fund or Other Client in respect of such investments could be recovered if such distributions are found to be a fraudulent conveyance or preferential payment or the equivalent under the laws of certain jurisdictions. Bankruptcy laws may delay the ability of a KKR Fund or Other Client to realize on collateral for loan positions held by it or may adversely affect the priority of such loans through doctrines such as equitable subordination or may result in a restructure of the debt through principles such as the "cramdown" provisions of the bankruptcy laws. Non-U.S. jurisdictions may present analogous or different credit issues.

"Bad Boy" Guarantees Commercial real estate financings are generally structured as non-recourse to the borrower, which limits a lender's recourse to the property pledged as collateral for the loan, and not the other assets of the borrower or to any parent of borrower, in the event of a loan default. However, lenders customarily will require that a creditworthy parent entity enter into so-called "recourse carveout" guarantees to protect the lender against certain bad-faith or other intentional acts of the borrower in violation of the loan documents. A "bad boy" guarantee typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. In addition, "bad boy" guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that the financing arrangements with respect to a KKR Fund or Other Client's investments

generally will require “bad boy” guarantees from a KKR Fund or Other Client and in the event that such a guarantee is called, a KKR Fund or Other Client’s assets could be adversely affected. Moreover, a KKR Fund or Other Client’s “bad boy” guarantees could apply to actions of the joint venture partners associated with a KKR Fund or Other Client’s investments. While a KKR Fund or Other Client expects to negotiate indemnities from such joint venture partners to protect against such risks, there remains the possibility that the acts of such joint venture partner could result in liability to a KKR Fund or Other Client under such guarantees. KKR and its affiliates have entered into “bad boy” guarantees with respect to certain investments, and such guarantees have been assumed by the relevant KKR Fund or Other Client in connection with the transfer of the relevant investments to such KKR Fund or Other Client.

Litigation at the Property Level The acquisition, ownership and disposition of real properties carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by a KKR Fund or Other Client or its subsidiaries in relation to activities that took place prior to a KKR Fund or Other Client’s acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such potential buyer should be awarded due diligence expenses incurred or statutory damages for misrepresentation relating to disclosure made, if such buyer is passed over in favor of another as part of a KKR Fund or Other Client’s efforts to maximize sale proceeds. Similarly, successful buyers may later sue a KKR Fund or Other Client under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

Limitations of Remedies The right of a mortgage lender to convert its loan position into an equity interest may be limited by certain common law or statutory prohibitions, which may operate to prevent a lender from exercising conversion rights from debt to equity interests.

Inability to Refinance Investment If a KKR Fund or Other Client makes an investment in a transaction with the intent of refinancing a portion of the equity investment, there is a risk that a KKR Fund or Other Client will be unable to complete successfully the refinancing. There is also a risk that certain investments with financing in place may be difficult or impossible to refinance when the loan matures. The inability to complete a refinancing or to complete one as quickly as originally planned would lead to increased risk as a result of the relevant KKR Fund or Other Client having a larger long-term investment than expected and reduced diversification. In addition, if a loan matured before refinancing could be procured, the lender could foreclose on the collateral and a KKR Fund or Other Client might suffer losses as a result of that foreclosure.

Third Party Fund Investment

Investment in third party private equity and related funds and co-investments made by KKR Funds or Other Clients generally involve the types of material risks discussed above in respect of direct investments in private equity and real assets. In addition, certain other material risks may be particularly relevant to these investments as summarized below:

Secondary Investments in Third Party Fund A KKR Fund or Other Client may acquire interests in third party funds through secondary market transactions. The due diligence costs involved in such investments may be higher than those involved in direct subscriptions to such funds. Secondary market transactions may also require the relevant KKR Fund or Other Client to assume related contingent liabilities associated with events occurring prior to the investment and, in particular, which may require a KKR Fund or Other Client to make “return” payments of distributions made by a third party fund to the seller of the third party fund interest. The overall performance of a third party fund interest acquired through a secondary transaction will depend in large part on the purchase price paid by the relevant KKR

Fund or Other Client. Such price will be negotiated by a KKR Fund or Other Client on the basis of information regarding the relevant third party fund provided by the seller and such third party fund, which may not be accurate or complete.

Business and Financial Risks of Third Party Fund Managers; Risk of Fraud A KKR Fund or Other Client will conduct due diligence reviews of third party fund managers and investments managed by them that it believes is sufficient to invest in funds sponsored by such managers. However, due diligence is not a perfect process and may not uncover problems associated with a particular third party manager or any fund sponsored by it. Third party managers may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business, may require additional capital to support their operations or maintain their competitive position or otherwise have a weak financial condition that may ultimately adversely impact any KKR Fund or Other Client investing with them. The potential that a third party manager may engage in improper conduct or fraud cannot be eliminated. A KKR Fund or Other Client may rely on representations with respect to a third party manager made by such manager, its accountants, attorneys and other associated investment professionals or service providers. If any such representations are misleading, incomplete or false, this may result in the selection of third party managers by a KKR Fund or Other Client that might otherwise have been eliminated from consideration.

Item 9 Disciplinary Information

Neither KKR nor any of its executive officers, members of its investment committees or portfolio management committees or other “management persons” as defined in Form ADV has been subject to the legal or disciplinary events related to this Item or otherwise is required to disclose any event required by this Item.

Item 10 Other Financial Industry Activities and Affiliations

Affiliated Broker-Dealers

KKR is an affiliate of KKR Capital Markets LLC and MCS Capital Markets LLC, each of which is registered as a broker-dealer in the U.S. with the SEC and FINRA. KKR is also affiliated with KKR Capital Markets Limited located in London, which is authorized by the U.K. Financial Conduct Authority to conduct broker-dealer activities in the United Kingdom, with KKR Capital Markets Japan Limited, which is licensed by the Japanese Financial Supervisory Agency to conduct limited securities private placement activities, with KKR Capital Markets Asia Limited, which is licensed by the Hong Kong Securities and Futures Commission to conduct certain broker-dealer activities, with KKR India Financial Services Private Limited, which is licensed by the Reserve Bank of India as a non-deposit taking non-banking financial company that is authorized to undertake lending and financing activities and with KKR Capital Markets India Private Limited, which is licensed by the Securities and Exchange Board of India as a merchant bank that is authorized to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy/advisory services. In addition, KKR is affiliated with KKR Australia Pty Limited, KKR Australia Investment Management Pty Limited, KKR MENA Limited, KKR Singapore Pte. Ltd. and KKR Saudi Limited, which hold financial services licenses from the Australian Securities and Investment Commission, the Dubai Financial Services Authority, the Monetary Authority of Singapore and the Capital Market Authority in Saudi Arabia, respectively, permitting them among other things to conduct capital raising and other broker-dealer activities (collectively, the “**Affiliated Brokers**”).

Certain of the Affiliated Brokers (including their respective related lending vehicles) may, from time to time, manage or otherwise participate in underwriting syndicates and/or selling groups with respect to the

securities and debt instruments of portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, including in respect of securities or other instruments of such portfolio companies in which KKR Funds or Other Clients have not invested. Affiliated Brokers may otherwise be involved in the public or private placement of such securities and other instruments, and/or may provide capital markets advisory services to portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, including in connection with mergers and acquisitions, the syndication of portfolio company co-investment opportunities alongside certain KKR Funds, and may provide acquisition financing and other corporate lending services to such entities in addition to financing provided through a KKR Fund or Other Client's investment. In addition, Affiliated Brokers may alone or with other lenders (including other KKR entities), arrange lines of credit to portfolio companies and other non-controlled entities in or through which KKR Funds, Other Clients and other third party borrowers invest. Affiliated Brokers (through its respective related lending vehicles) may also provide loans and lines of credit to KKR Fund and Other Client portfolio companies and other third party borrowers. Affiliated Brokers may also provide syndication services to such entities including in respect of co-investments in transactions participated in by KKR Funds or Other Clients. Such Affiliated Brokers may receive fees, commissions, financing fees, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above and/or may waive such fees. Affiliated Brokers and other KKR entities may, as a consequence of such activities, from time to time hold positions in instruments or securities issued by portfolio companies.

An Affiliated Broker also may act as placement agent or underwriter of securities of a third party that a KKR Fund or Other Client may purchase (for example, a co-investment vehicle). An Affiliated Broker may act as the placement agent for a KKR Fund in certain jurisdictions and such Affiliated Broker does not generally receive compensation for such service, however if compensation is received, such compensation would be made on a fully disclosed basis. The Affiliated Brokers do not otherwise execute transactions on behalf of KKR Funds or Other Clients. While fees, commissions, interest payments and other compensation paid to the Affiliated Brokers are generally believed by KKR to be reasonable and charged at rates that are at or below market rate for the relevant activities, such compensation are generally determined through negotiations with related parties. KKR Funds or Other Clients generally do not have the right to share in the compensation received by an Affiliated Broker for its role in any transaction. Affiliated Brokers do not share in any transaction fees, which are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles as discussed in Item 5.

The relationship KKR has with its Affiliated Brokers may give rise to a potential conflict of interest between KKR and KKR Funds or Other Clients that have an interest in any portfolio companies or investment vehicles with respect to which the Affiliated Brokers provide services (please see the discussion below for further information as to how such conflicts are addressed). In particular, KKR may be seen as incentivized to seek to influence the decision by a portfolio company's management to retain an Affiliated Broker, or to borrow from or otherwise transact with an Affiliated Broker, instead of other unaffiliated broker-dealers or other service providers or counterparties that may be more appropriate or offer better terms. Where an Affiliated Broker (or another KKR entity) acts as a lender to a portfolio company in which a KKR Fund or Other Client holds investments in the same or different levels of the capital structure, the arrangement may lead to a conflict between the Affiliated Broker and the KKR Fund or Other Client in the event of a default by, or the liquidation of, the portfolio company or a restructuring or renegotiation of the terms of the loan (similar conflicts may also arise where KKR is a lender to a portfolio company out of its proprietary assets). KKR could also be seen as incentivized to structure portfolio company transactions, including related co-investment opportunities, so that they require the use of a broker-dealer (and consequently provide an opportunity for an Affiliated Broker to be retained by a portfolio company or acquisition company established for the relevant transaction and generate commissions, syndication fees, arranging fees or other compensation for such an Affiliated Broker).

Affiliated Brokers also provide financing and capital markets services to third parties that are not portfolio companies including third parties that are competitors of portfolio companies of particular KKR Funds or Other Clients, or that are service providers, suppliers, customers, or other counterparties with respect to such companies (“**competitor companies**”) and may act as placement agent in respect of investment funds that are sponsored and managed by other third party investment managers, including funds that may compete with KKR Funds. Affiliated Brokers also act as placement agent in respect of investment funds that are sponsored and managed by third parties (for example, certain affiliates of KKR as described in Item 4) and receives consideration for such services. In providing such services to, or with respect to, such funds or companies, Affiliated Brokers will not take into consideration the interests of the relevant portfolio companies or KKR Funds or Other Clients. In addition, Affiliated Brokers may also be engaged to provide financing or other capital markets services to third parties in connection with transactions that may also be appropriate for a KKR Fund or for Other Clients. In some cases, these services offered to third parties in connection with a transaction may be provided concurrently with services being provided in a similar manner to a KKR Fund or Other Client even if the KKR Fund or Other Client has a competing interest with the third party. Affiliated Brokers providing services to third parties, including to competitor companies, may come into possession of information that they are prohibited from acting on (including on behalf of a KKR Fund or Other Client) or disclosing to KKR as a result of applicable confidentiality requirements or applicable law, even though such action or disclosure would be in the best interests of a KKR Fund or of Other Client.

An Affiliated Broker’s ability to receive commissions or other transactional compensation in certain capital markets transactions on the basis of a KKR Fund or Other Client’s participation may be limited in certain circumstances. As a result, in the event that such services are provided to an issuer that is or becomes a potential investment opportunity for a KKR Fund or Other Client, KKR, through the Affiliated Brokers, may have a conflict of interest between a KKR Fund or Other Client investment opportunity or a related capital markets transaction. Where an Affiliated Broker serves as underwriter with respect to a security in which a KKR Fund or Other Client invests, such KKR Fund or Other Client may be subject to a “lock-up” period following the offering under applicable regulations during which time its ability to sell the security that it continues to hold is restricted. This may prejudice the KKR Fund or Other Clients’ ability to dispose of such security at an opportune time. Affiliated Brokers may have access to confidential and/or material non-public information regarding KKR Funds, Other Clients or their portfolio companies and, subject to applicable law and confidentiality agreements, may use such information in connection with financing and other services provided by the Affiliated Brokers.

KKR senior investment personnel will evaluate any such transactions on a case-by-case basis to address any such conflicts which may be escalated to KKR’s Global Conflicts Committee to the extent deemed appropriate by the KKR senior investment personnel and in any event, transactions involving a KKR Fund or Other Client and an Affiliated Broker are reported to KKR’s Global Conflicts Committee. In addition, KKR generally reviews such transactions to ensure that the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) in respect of principal transactions between any KKR Fund or Other Client and KKR or its affiliates (including any Affiliated Broker) are complied with in the context of such transactions.

Other Investment Advisers

Relying Advisers

KKR, either directly or indirectly, owns and controls the following subsidiaries, which are located in the United Kingdom, Hong Kong, China, Japan, France, Australia, India, Singapore, Dubai, Saudi Arabia, South Korea, Mauritius, Brazil, Spain, Canada and the U.S. respectively:

- Kohlberg Kravis Roberts & Co. Partners LLP
- KKR Asia Limited
- KKR Investment Consultancy (“Beijing”) Company Limited
- KKR Investment Advisory (Shanghai) LLC
- KKR Japan Limited
- Kohlberg Kravis Roberts & Co. SAS
- KKR Australia Pty Limited
- KKR Australia Investment Management Pty Limited
- KKR India Advisors Private Limited
- KKR Singapore Pte. Ltd.
- KKR MENA Limited
- KKR Saudi Limited
- KKR Korea Limited Liability Corporation
- KKR Holdings Mauritius, Ltd.
- KKR Account Adviser (Mauritius), Ltd.
- KKR do Brasil Gestão de Investimentos e Participações Ltda.
- KKR Investment Management LLC
- Kohlberg Kravis Roberts (España) Asesores SL
- KKR Canada ULC
- KKR Investment Advisory (Zhuhai Hengqin) Company Limited

- KKR Mauritius Direct Investments I, Ltd.
- KKR India Alternative Credit Opportunities Fund I
- KKR India Debt Fund I
- KKR India Debt Opportunities Fund III
- KKR Real Estate Finance Manager LLC

Each of the above subsidiaries (“**Relying Advisers**”) is involved in identifying and monitoring investments recommended by KKR on behalf of KKR Funds or Other Clients in the relevant jurisdictions or regions. The Relying Advisers are subject to KKR’s regulatory oversight and its Code of Ethics (please see response to Item 11 below) together with its other compliance policies and procedures as adopted pursuant to the requirements of the Advisers Act (in addition to local regulatory requirements, as applicable, and any additional compliance policies and procedures adopted by the Relying Advisers pursuant to such local regulatory requirements). More particularly, KKR treats all Employees of the Relying Advisers as its “associated persons” and access persons for the purposes of the Advisers Act.

KKR Credit Advisors (US) LLC/KKR Credit

KKR is also affiliated with KKR Credit Advisors (US) LLC and its subsidiaries. KKR Credit Advisors (US) LLC is separately registered as an investment adviser under the Advisers Act. Certain executives of KKR serve on investment committees established by KKR Credit (as defined in Item 4). In addition, certain executives of KKR Credit participate in investment decisions or serve on investment committees established by KKR for particular KKR Funds or Other Clients. KKR may also, from time to time, act as sub-adviser in respect of capital allocated within investment vehicles and accounts managed by KKR Credit (“**KKR Credit Funds**”) to strategies implemented by KKR. KKR may also delegate sub-advisory authority to KKR Credit in respect of capital allocated within certain KKR Funds to strategies implemented by KKR Credit (in each case, at no incremental cost to the relevant KKR Fund or KKR CREDIT Fund). See Item 11 for a discussion of the relationship of KKR, KKR Funds, Other Clients and the KKR Credit Funds .

Prisma Capital Partners LP

KKR Prisma became an affiliate of KKR in 2012 when KKR acquired 100% of the direct and indirect interests of Prisma Capital Partners LP. KKR Prisma operates as a part of KKR’s public markets business, which includes the asset management activities of KKR Credit. KKR Prisma is separately registered as an investment adviser under the Advisers Act. Certain employees of KKR Prisma are Employees and certain former employees of KKR Prisma are Senior Advisors and Industry Advisors of KKR. Certain KKR Prisma personnel may also participate in KKR Associates Vehicles. Commingled funds, vehicles and other accounts managed and advised by KKR Prisma (“**Prisma Funds**”) invest and may invest in a broad range of hedge funds and other similar funds, vehicles and accounts (“**Prisma Portfolio Funds**”). See Item 11 for a discussion of the relationship of KKR, KKR Funds, Other Clients and, Prisma Funds and Prisma Portfolio Funds.

Commodity Pool Operators and Commodity Trading Advisors

As a result of providing investment advisory services to certain KKR Funds that invest in commodity futures and other commodity interests, KKR, certain KKR GPs and other related entities may from time

to time constitute commodity trading advisors and/or commodity pool operators for the purpose of the rules and regulations issued by the U.S. Commodity Futures Trading Commission (“CFTC”) under the U.S. Commodity Exchange Act and as such, will rely on certain exemptions from registration with the CFTC under that Act or, in the event that such exemptions cease to apply, register under the applicable regulatory regime. As such status is incidental to KKR’s investment management activities with respect to the relevant KKR Funds, KKR does not view such status as giving rise to a material conflict of interest in respect of such KKR Funds or any other KKR Funds.

Pooled Investment Vehicles and Regulated Subsidiaries and Sponsors of Limited Partnerships

KKR, KKR Credit, KKR Prisma and certain of their respective affiliates serve as sponsors or syndicators of a number of limited partnerships, including KKR Funds, KKR Credit Funds, Prisma Funds and Avoca Funds. KKR also primarily serves as investment adviser to KKR Funds that are pooled investment vehicles. In addition, its affiliates, KKR Credit, KKR Prisma and Avoca also serve as investment advisers of investment vehicles and accounts (i.e., KKR Credit Funds and Prisma Funds) that are, for the most part, pooled investment vehicles. While primarily unregulated, certain of such pooled vehicles may be registered with regulatory authorities in their home jurisdiction such as the Cayman Islands or Ireland or in jurisdictions in which interests in such pooled investment vehicles are marketed, such as Korea or Japan. As discussed more fully above and in response to Item 11, KKR Funds, KKR Credit Funds and Prisma Funds may engage in transactions with or alongside each other that may give rise to material conflicts of interest. KKR has adopted policies and procedures designed to address conflicts of interest arising between KKR Funds, KKR Credit Funds and Prisma Funds. Certain KKR Funds have established regulated subsidiaries as required under applicable law in order to permit such KKR Funds to make portfolio investments in certain jurisdictions, including, in particular, India. As discussed in Item 11, KKR’s relationship with KKR Prisma and KKR Credit may also give rise to additional conflicts of interest.

Please refer to Item 11 for a discussion of the potential conflicts that may be raised by KKR’s relationship with these affiliates and the policies and procedures KKR has adopted to address these conflicts.

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

Code of Ethics

KKR has adopted a Code of Ethics (the “**Code**”) in accordance with Rule 204A-1 under the Advisers Act.

The policies and procedures set forth in the Code recognize that as an investment adviser, KKR is in a position of trust and confidence with respect to the KKR Funds or Other Clients and has a duty to place the interests of the KKR Funds or Other Clients before the interests of KKR and its Employees (which for these purposes includes other persons as set out in the Code, including certain consultants, advisors, temporary employees and other persons designated by KKR’s Global Chief Compliance Officer). This duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code also recognizes that as an investment adviser registered under the Advisers Act, KKR has a further obligation to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

The Code includes a code of conduct adopted by KKR which requires Employees to (i) act with integrity, honesty, competence, and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow Employees, (ii) adhere to the highest standards with respect to any potential material conflicts of interest with KKR Funds or Other Clients, and (iii) preserve the

confidentiality of information that they may obtain in the course of KKR's business and use such information properly, consistent with applicable legal standards and not in any way adverse to the interests of any KKR Funds or Other Clients.

Under the Code and Firm policy, Employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. This prohibition applies to KKR-related securities and the securities of KKR affiliates, as well as other issuers. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an Employee's ability to engage in personal securities transactions and requires Employees to disclose all brokerage or securities accounts held in the Employee's name or over which the Employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly.

Certain investment personnel of KKR maintain personal private fund investment holdings. Certain of these investments are maintained with third-party investment managers who sponsor investment vehicles that compete with KKR or that KKR or certain KKR affiliates may recommend to its clients. Furthermore, certain of these personal investments may have terms that are more favorable than those routinely offered by the unaffiliated investment manager (for example, reduced fees). These personal investments may give rise to potential or actual conflicts of interest between KKR Funds and Other Clients on the one hand, and KKR and its affiliates, on the other hand. Accordingly, KKR's personal securities investment and reporting policies, which require the pre-approval from KKR's Compliance Group on any personal private fund investments, seek to address any potential or actual conflicts of interest attendant to this topic.

The Code restricts Employees' ability to conduct activities outside the Firm that may conflict with the interests of the KKR Funds or Other Clients, requires preapproval for gifts and entertainment in excess of certain values that may be received and/or provided by Employees and restricts Employees' ability to make political donations. Employees, Senior Advisors, Industry Advisors, KKR Capstone, RPM and other consultants may also serve as directors or interim executives, or otherwise be associated with companies that are competitors of portfolio companies of certain KKR Funds or Other Clients (as discussed below).

KKR's Compliance Group receives and reviews trading and other reports and Employee certifications submitted pursuant to the Code to determine that personal trading (as well as other activities subject to compliance oversight) conducted by Employees and other covered persons is consistent with the requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities. Employees also engage in outside business activities, including serving on boards of directors of third party entities, which may give rise to certain conflicts of interests. KKR's Compliance Group reviews Employee certifications to identify such conflicts of interest.

Additionally, KKR has adopted inside information barrier policies and procedures to provide for the proper handling of confidential information (i.e., nonpublic information received or created by KKR in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse. KKR's Compliance Group is responsible for establishing and administering the information barriers established by KKR.

The Code is available upon written request of KKR Funds or Other Clients and their current or prospective investors.

Participation or Interest in Client Transactions

Principal Transactions

In accordance with the anti-fraud provisions of the Advisers Act and with KKR's internal compliance policies and procedures, KKR and its affiliates will not, as principal, sell a security to, or buy a security from, any KKR Fund, without providing appropriate disclosure and obtaining the informed consent of such KKR Fund or Other Client prior to the settlement of such transaction.

Principal transactions may occur, for example, where KKR warehouses an investment, in whole or in part, in one of its proprietary entities for the benefit of one or more KKR Funds or seeds the initial portfolio of a KKR Fund by making the initial commitment and capital contributions to the KKR Fund pending the admission of third party investors to such KKR Fund and the acquisition by the KKR Fund of the investment from the proprietary entity or the participation by such third party investors in such seeded initial portfolio of investments, as applicable. In these cases, a KKR Fund may, for example, require that (i) the transaction price be determined to be fair by an independent valuation expert or be calculated in accordance with a formula provided for in the governing documents of the KKR Fund or (ii) the consent of the respective KKR Fund's limited partner advisory committee, independent client representative or limited partners be obtained prior to the completion of the relevant transaction or in connection with the limited partners' subscriptions to the KKR Fund. As indicated in Item 10, Affiliated Brokers may act as principal in underwriting or placing the securities of KKR Funds.

Prior to the receipt by a KKR Fund of capital contributions from its investors for which a capital call notice has been given, a KKR GP may fund such amounts on a temporary basis in order to permit the KKR Fund to make an investment. Such amounts will be reimbursed to the KKR GP at cost as and when such capital contributions are made by the investors in the KKR Fund. KKR does not consider such temporary arrangements to be principal transactions.

An affiliate of KKR has a significant ownership interest in the parent company of Nephila and Nephila Advisors LLC (collectively, the "**Nephila Entities**") and in Vanbridge, which itself holds interests in Sharebridge ("**Vanbridge Entities**"). KKR may therefore be deemed to have a financial interest in transactions involving products sponsored or advised by the Nephila Entities or services provided by Vanbridge Entities. However, because KKR does not have a controlling interest in the Nephila Entities or the Vanbridge Entities, KKR does not consider such transactions to be principal transactions. Accordingly, KKR does not make trade-by-trade disclosures or obtain client consent before the completion of such transactions. In addition, because of a KKR affiliate's financial interest in the Nephila Entities or Vanbridge Entities, another affiliate of KKR will receive additional compensation related to such transactions. Such additional compensation will not be shared with KKR Funds, Other Clients and KKR Associates Vehicles.

Principal Transactions Relating to Net Profits Interests

KKR has established an energy focused KKR Fund that will enter into affiliated transactions with one or more KKR affiliates which involve the purchase, sale and/or sublease of investments from or to such KKR Fund. These transactions ("**NPI Arrangements**") give rise to conflicts of interest between KKR on the one hand and such KKR Fund and its investors on the other hand, and there can be no assurance that the terms of such transactions will be similar to those that would be obtained in an arms'-length transaction between unaffiliated parties. In particular, the NPI Arrangements will result in such KKR affiliate retaining a 5% working interest, unburdened by any net profits interest held by such KKR Fund, in each asset in which such KKR Fund has invested, and there can be no assurance that the consideration exchanged between such KKR Fund and such KKR affiliate in connection with each NPI Arrangement will be of equal value. Such KKR affiliate may profit from the NPI Arrangements at the expense of such KKR Fund. In addition, such KKR affiliate will make preferred capital contributions to such KKR Fund

and will be entitled to receive distributions from such KKR Fund in priority to distributions made to the investors in such KKR Fund. As a result, such KKR Fund may generate a profit that is not realized by its investors. The investors in such KKR Fund have consented to the foregoing arrangements in connection with their subscription for interests in such KKR Fund. Accordingly, KKR does not make trade-by-trade disclosures or obtain client consent before the completion of such transactions.

Cross Trades

Cross trades are transactions in which KKR arranges for a KKR Fund or Other Client to buy a security from, or sell a security to, another KKR Fund or Other Client. In addition, KKR may cause different KKR Funds to invest at different times in a single portfolio company, for example where a KKR Fund that made an initial investment in a portfolio company does not, when an opportunity to make a follow-on investment in the company subsequently arises, have sufficient capital for such investment. From time to time, KKR may determine that a cross trade or follow-on investment between KKR Funds or Other Clients is in the best interest of the relevant KKR Funds or Other Clients. Accordingly, KKR has adopted policies and procedures designed to properly manage related conflicts. In addition, the governing documents of each such KKR Fund or Other Client may impose certain restrictions on the ability of KKR or its affiliates to effect these transactions. These may include a requirement for the transaction price to be determined using independent valuation sources, approved by an independent valuation expert, determined to be fair to KKR Funds and Other Clients by an independent third party or otherwise calculated in accordance with such governing documents.

Real Estate Transactions

KKR, for its own account or the account of an affiliate including a KKR Fund or Other Client, may enter into real-estate related transactions, which may arise out of real estate, energy, infrastructure or other strategies, with KKR Fund or Other Client portfolio companies. Such transactions may include, for example, buying or selling real estate assets, acquiring or entering into leasing arrangements or amending such arrangements, or transferring options or rights of first refusal to acquire real estate assets. In addition, KKR may cause a KKR Fund to enter into such transactions with KKR Fund or Other Client portfolio companies. Such transactions, which generally do not involve securities, are not governed by the principal transaction and cross transaction restrictions and policies described above but are subject to guidelines established by KKR to properly manage related conflicts.

Participation of Affiliated Broker-Dealers in KKR Fund or Other Client Transactions

As described in response to Item 10, KKR is affiliated with several broker-dealers. As further noted, these Affiliated Brokers (including their respective related lending vehicles) may manage or otherwise participate in underwriting syndicates and/or selling groups with respect to securities and debt instruments issued by portfolio companies, holding companies and other non-controlled entities in or through which the KKR Funds or Other Clients invest. Further, Affiliated Brokers may otherwise be involved in the public or private placement of such securities and other instruments, and/or may provide capital markets advisory services to portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, including in connection with mergers and acquisitions, the syndication of portfolio company co-investment opportunities alongside certain KKR Funds, and may provide acquisition financing and other corporate lending services to such entities in addition to financing provided through a KKR Fund or Other Client's investment. In addition, Affiliated Brokers may alone or with other lenders (including other KKR entities), arrange lines of credit to portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, KKR Funds, Other Clients and other third party borrowers. Affiliated Brokers (through its respective lending related vehicles) may also provide loans and lines of credit to KKR Fund and Other Client portfolio companies

and other third party borrowers. As discussed in Item 10, transactions involving a KKR Fund or Other Client and an Affiliated Broker or its respective lending vehicles are reported to the KKR's Global Conflicts Committee. In addition, KKR reviews such transactions to ensure that the requirements of Section 206(3) of the Advisers Act and Rule 206(3)-2 under the Advisers Act, as applicable, in respect of principal transactions between any KKR Fund or Other Client and KKR or its affiliates (including any Affiliated Broker) are complied with in the context of such transactions. Affiliated Brokers may have access to confidential and/or material non-public information regarding KKR Funds, Other Clients or their portfolio companies and, subject to applicable law, may use such information in connection with financing and other services provided by the Affiliated Brokers.

Financial Interest in KKR Fund or Other Client Transactions

As described in Item 5, KKR and its affiliates may receive monitoring fees, financial advisory fees, transaction fees, and other compensation for services provided to portfolio companies, holding companies and other entities in or through which a KKR Fund or Other Client invests. Such parties may also receive break-up fees and other compensation with respect to KKR Fund or Other Client portfolio company investments (including un consummated or terminated transactions). As noted above, such compensation may be shared with the relevant KKR Funds or Other Clients, as described in their offering materials, disclosure documents and/or governing documents.

KKR Funds and Other Clients portfolio companies may be counterparties to or participants in agreements, transactions or other arrangements with the portfolio companies of another KKR Fund or Other Client (for example a portfolio company of a KKR Fund may retain a company in which another KKR Fund has invested to provide services or products). Agreements, transactions and other arrangements entered into by portfolio companies of different KKR Funds or Other Clients indirectly benefit the respective KKR Fund or Other Client as an investor of such companies or may adversely impact the other KKR Fund or Other Client portfolio companies with which they do business. One KKR Fund or Other Client's interest in maximizing its return on such investments may give rise to a conflict of interest in particular, but not limited to, where the KKR Fund or Other Client has the ability through its investments to influence the activities of such companies or encourages another KKR Fund or Other Client portfolio companies to transact therewith.

KKR Funds and Other Clients portfolio companies may also compete with another KKR Fund or Other Client's investments. For example, one KKR Fund may invest in a company which competes with another KKR Fund portfolio company. In providing advice and recommendations to, or with respect to such portfolio companies' business dealings a KKR Fund or Other Client will not take into consideration the interests of the other relevant KKR Fund or Other Client or their portfolio companies and other investments. Accordingly, such advice, recommendations to such business dealings may result in adverse consequences to such other KKR Funds or Other Clients or their investments.

Certain KKR proprietary entities and Affiliated Brokers, on behalf of their proprietary and client accounts, make investments in minority or majority interests in companies, businesses or other investments in which KKR Funds or Other Clients have no interest but which may be counterparties to or participants in agreements, transactions or other arrangements with portfolio companies of, a KKR Fund or Other Client (for example a portfolio company of a KKR Fund may retain a company in which KKR has a proprietary interest to provide services or products or may acquire an asset from such company). KKR's ownership (indirect) of KKR Capital Markets LLC (see Item 10) is an example. Another example is a KKR affiliate's ownership interest in Vanbridge, an insurance intermediary and capital advisory firm that itself holds interests in Sharebridge, an insurance broker; both have provided services to KKR Fund portfolio companies in the past and both firms are expected to provide such services in the future. Agreements, transactions and other arrangements entered into by KKR Fund or Other Client portfolio

companies and any such companies may indirectly benefit KKR as an owner of such companies or may adversely impact any KKR Fund portfolio companies with which they do business. KKR's interest in maximizing its return on such investments may give rise to a conflict of interest in particular, but not limited to, where KKR has the ability through its investments to influence the activities of such companies or encourages KKR Fund portfolio companies to transact therewith. Services that may be provided to KKR Fund portfolio companies by companies in which KKR acquires such proprietary interests are generally not expected to constitute the types of services that will entitle such companies to fees that will reduce management fees payable by the KKR Fund to the extent such companies are an affiliate of KKR. For example, insurance brokerage fees or IT licensing fees payable by a KKR Fund portfolio company for related services of an affiliate of KKR are not expected to reduce management fees. To the extent such companies are not affiliates of KKR, fees and other compensation for services paid by a KKR Fund portfolio company to such companies are not expected to reduce management fees payable by the KKR Fund or Other Client, regardless of the nature of the relevant services.

Certain KKR proprietary entities and Affiliated Brokers, on behalf of their proprietary and client accounts, may also make investments in minority or majority interests in companies, businesses or other investments that compete with a KKR Fund or Other Client's investments. For example, KKR or its affiliates may invest in a company which competes with a KKR Fund portfolio company. In providing advice and recommendations to, or with respect to such investments and in dealing in such investments on behalf of the relevant proprietary or client accounts, KKR and its affiliates will not take into consideration the interests of the relevant KKR Fund or Other Client or their portfolio companies and other investments. Accordingly, such advice, recommendations and dealings may result in adverse consequences to such KKR Funds or Other Clients or their investments (see also Item 10 for a discussion of services provided by Affiliated Brokers to competitor companies).

As noted in response to Item 5, Employees, Senior Advisors, Industry Advisors, KKR Capstone, RPM and other consultants may serve on the boards of KKR Fund or Other Client portfolio companies, and in such capacity currently and may in the future receive director's fees, which may be retained in whole or in part by the relevant Employee, Senior Advisor, Industry Advisor, KKR Capstone, RPM or other consultant. Serving in such capacity may give rise to conflicts to the extent that an Employee's fiduciary duties to a portfolio company as a director may conflict with the interests of KKR Funds or Other Clients. As the KKR Funds or Other Clients will generally be significant investors in such companies, it is expected that such interests will generally be aligned. Employees, Senior Advisors, Industry Advisors, KKR Capstone, RPM and other consultants may also serve as directors or interim executives, or otherwise be associated with, companies that are competitors of portfolio companies of certain KKR Funds or Other Clients. It would be expected that the interests of a competitor company would often not be aligned with those of a KKR Fund, Other Client or their portfolio company, and consistent with the fiduciary duty owed by Employees, KKR Capstone and Senior Advisors to such competitor companies when serving on their boards, they will act in the best interests of the competitor companies, and not in the best interests of KKR Funds or Other Clients. In addition, portfolio companies of KKR Funds or Other Clients may, from time to time, make discounts and other benefits available to Employees in connection with products or services offered by such companies. Having KKR Employees serve as directors or interim executives of a portfolio company of a KKR Fund or Other client or another company (including a portfolio company of another KKR Fund, Other Client or KKR proprietary entity) may restrict the ability of a KKR Fund to invest directly in an investment opportunity that also constitutes an investment opportunity for such company.

As discussed below under "KKR Purchases/Sales of Securities Recommended to KKR Funds or Other Clients", Employees and other persons associated with KKR and executives of KKR Fund portfolio companies may be permitted to invest in KKR Associates Vehicles established as co-investment vehicles to facilitate participation by such persons in portfolio investments made by KKR Funds or Other Clients

(which vehicles typically will not be charged management fees or performance related compensation or certain expenses). Certain KKR proprietary entities may also make capital contributions to KKR Funds. The Public Company indirectly holds limited partnership interests in a number of KKR Funds, which it may transfer or sell (in whole or in part) to third parties (including other investors in KKR Funds) in negotiated transactions.

Investments in which KKR, KKR Funds, Other Clients, KKR Credit and/or KKR Credit Funds Invest in Different Securities of the Same Issuer or Invest In the Same Issuer on Different Dates

Certain KKR Credit Funds have, and KKR Credit Funds established in the future may have, an investment focus that is, at least in part, similar to the focus of certain KKR Funds, Other Clients, KKR Associates Vehicles or certain KKR proprietary entities). In particular, certain KKR Credit Funds may co-invest in private equity and other investments made by KKR Funds or Other Clients alongside such KKR Funds or Other Clients. The overlap of investment focus may be viewed as giving rise to conflicts of interest between clients of KKR Credit and KKR Funds or Other Client. See the allocation discussion below for further information on how such conflicts are addressed.

Certain KKR Credit Funds and KKR Funds (including KKR Associates Vehicles and other KKR proprietary entities) or Other Clients, and KKR affiliates, including an Affiliated Broker, may also invest in different parts of the capital structure of the same portfolio company. For example, KKR Credit Funds or a KKR affiliate, including an Affiliated Broker, may invest in debt securities issued by a portfolio company in which a KKR Fund or Other Client has a controlling or other equity interest. The interests of the KKR Fund or Other Client and such KKR Credit Funds or KKR affiliate, including any Affiliated Broker, may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for a KKR Credit Fund or KKR affiliate, including an Affiliated Broker, may be adverse to a KKR Fund or Other Client, or vice versa.

With respect to private equity investments, certain KKR Funds or Other Clients will typically seek to acquire controlling or other significant influence positions in its investments. As a result, it may have the ability to elect some or all of the members of the board of directors of its portfolio companies and thereby control their policies and operations, including the appointment of management, future issuances of common stock, or other securities, the payments of dividends, if any, on their common stock, the incurrence of debt, amendments to their certificates of incorporation and bylaws, and entering into extraordinary transactions. Certain actions of a portfolio company that KKR is in a position to control or influence by reason of a KKR Fund or Other Client's interest in such company may be in the interests of the KKR Fund or Other Client but adverse to the interests of a KKR Credit Fund, or vice versa. For example, a KKR Fund could have an interest in pursuing an acquisition that would increase indebtedness, a divestiture of revenue-generating assets, or another transaction that, in KKR's judgment, could enhance the value of the KKR Fund's investment, but would subject debt investments made by a KKR Credit Fund to additional or increased risk.

In addition, to the extent that a KKR Fund is the controlling shareholder of a portfolio company, KKR or a KKR affiliate is likely to have the ability to determine the outcome of all matters requiring stockholder approval and to cause or prevent a change of control of such company or a change in the composition of its board of directors and could preclude any unsolicited acquisition of that company. A KKR Fund or Other Client's interests with respect to the management, investment decisions, or operations of a portfolio company may at times be in direct conflict with those of KKR Credit Funds that do not have the same level of control or influence over the company. As a result, KKR may face actual or apparent conflicts of interest, in particular in exercising powers of control over KKR Fund portfolio companies.

Where KKR Credit Funds and KKR Funds or Other Clients invest in different parts of the capital

structure of a portfolio company, their respective interests may diverge significantly in the case of financial distress of the company. For example, a KKR Fund may hold equity interests in a portfolio company in which a KKR Credit Fund holds debt securities or of which it is otherwise a creditor. In a bankruptcy proceeding, the KKR Fund's interest may be subordinated or otherwise adversely affected by virtue of KKR Credit's and/or such KKR Credit Funds' involvement and actions relating to their debt investment. This may result in loss or substantial dilution of the KKR Fund's investment, while the KKR Credit Fund recovers all or part of the amount due to it. In addition, where a KKR Credit Fund is a creditor of a portfolio company in which a KKR Fund holds more junior securities, KKR Credit or such KKR Credit Fund may take actions in its own interests with respect to its rights as a creditor (for example, with respect to breaches of covenants) that may be adverse to the interests of the KKR Fund as an equity holder or junior debt holder.

KKR has established policies and procedures intended to address conflicts of interest inherent in investments by KKR Funds, Other Clients and KKR Credit Funds in portfolio companies of other KKR Funds or Other Clients. These policies and procedures, which include limitations on both the maximum amounts and types of such investment and procedures relating to transacting in the securities of such companies when they become distressed, are intended to supplement such restrictions and other requirements relating to such investments as may be disclosed in the offering materials, disclosure documents and/or governing documents of any KKR Fund or Other Client.

To the extent KKR Funds, Other Clients or KKR Credit Funds (including dedicated single or multiple asset co-investment vehicles) co-invest in the same securities of the same issuer, KKR also will generally seek to ensure that all participants in such co-investments participate on comparable terms. This may not be practicable or appropriate in all circumstances, however, and, subject to applicable law, a KKR Fund or Other Client may participate in such investments on different and potentially less favorable terms than other participants if KKR deems such participation as being otherwise in the best interests of such KKR Fund or Other Client.

Investments of Prisma Portfolio Funds

KKR Prisma's Portfolio Funds may pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. Prisma Portfolio Funds may invest in funds or securities in which KKR Funds or Other Clients may have an interest. While it is not KKR Prisma's general intention to invest Prisma Funds in KKR Funds, KKR (including, for these purposes, KKR, KKR Funds, Other Clients, KKR Credit, KKR Credit Funds, KKR Prisma, Prisma Funds, the Affiliated Brokers and their respective affiliates), as a major participant in the global markets may frequently, or from time to time, be actively engaged in transactions in the same financial instruments in which Prisma Portfolio Funds are invested. Subject to applicable law, KKR, KKR proprietary entities and KKR Funds or Other Clients may purchase or sell the securities and financial instruments of, or otherwise invest, finance, advise and control, portfolio companies and other issuers in which a Prisma Portfolio Fund has an interest or which are competitors of such companies. Actions taken by the respective managers of Prisma Portfolio Funds in respect of any of the foregoing may adversely impact a KKR Fund or Other Client. Any such investments and actions will be controlled by the underlying Prisma Portfolio Fund managers and will be outside the control of KKR Prisma or KKR.

KKR Purchases/Sales of Securities Recommended to KKR Funds and Other Clients

As noted above in response to Item 4, KKR sponsors and manages a number of KKR Funds that are dedicated co-investment vehicles that invest in single or multiple portfolio companies alongside other KKR Funds. These include investment vehicles that are only open to investment by Employees, Senior Advisors, KKR Capstone, RPM and other persons associated with KKR (which may include executives

of KKR portfolio companies and external consultants) (i.e., KKR Associates Vehicles). These vehicles will typically invest in portfolio companies at the same time and price and on the same terms as the other participating KKR Funds to the extent practicable. KKR does not generally charge management, performance fees or performance related compensation for its services to KKR Associates Vehicles and KKR retains any allocated monitoring fees and transaction fees based on their respective ownership of the relevant company or investment as discussed above in Item 5 (except in the case of investments made alongside certain older KKR Funds). KKR may also bear any allocable share of expenses on behalf of these vehicles. KKR proprietary entities also from time to time co-invest in other KKR Funds' or Other Clients' investments in portfolio companies. KKR does not generally charge management, performance fees or performance related compensation for its services to such other KKR proprietary entities for such co-investment opportunities and KKR retains any allocated monitoring fees and transaction fees based on their respective ownership of the relevant investment in a portfolio company. KKR may also bear any allocable share of expenses related to such co-investments on behalf of such KKR proprietary entities.

As indicated above, KKR or its affiliates may establish, through various investment vehicles, investment accounts that are funded with the proprietary assets of KKR or its affiliates. KKR may manage such proprietary entities pursuant to investment strategies that mirror, or are similar to in whole or in part, investment strategies implemented by KKR on behalf of KKR Funds or Other Clients. KKR may also manage proprietary entities according to investment strategies that are inconsistent with, or deviate in material aspects from, the investment strategies pursued by KKR Funds or Other Clients. From time to time, KKR or its affiliates may also make and hold, through various entities, including without limitation, accounts through which it invests primarily for its own investment purposes and subject to specific criteria relating to, among other things, capacity and holding period, proprietary investments for the purpose of developing, evaluating and testing potential investment strategies or products ("**Seed Investments**"). The foregoing proprietary entities, including Seed Investments and KFN, following the closing of KKR & Co.'s acquisition of KFN, (or in the case of KKR Prisma, portfolio funds of its funds and accounts), may invest in similar or the same types of securities, properties or other assets in which KKR Funds or Other Clients may invest or otherwise do or may in the future, or may have investment objectives, programs, strategies and positions that are similar to, or may conflict with, those of KKR Funds or Other Clients. These proprietary entities may compete with, and have interests adverse to a KKR Fund or Other Client. The existence of Seed Investments and KKR proprietary entities, including KFN following the closing of the acquisition by KKR & Co., investing in the same or similar investments that may be made by KKR Funds or Other Clients could, among other adverse consequences, affect the prices of the investments, securities, properties or other assets in which a KKR Fund or Other Client invests and will affect the availability of such assets. In such circumstances, KKR's interest in maximizing the investment return of its proprietary entities and those of its affiliates creates a conflict of interest in that KKR may be motivated to allocate more attractive investments to the proprietary entities under its management, and allocate less attractive investments to the KKR Funds or Other Clients. Similarly, KKR may be motivated to allocate scarce investment opportunities to the proprietary entities under its management rather than to the KKR Funds or Other Clients. KKR seeks to address these conflicts through the investment allocation process described below.

Allocation of Investments

KKR has adopted policies and procedures designed to ensure allocations of opportunities among KKR Funds, Other Clients, KKR Associates Vehicles and KKR proprietary entities, to the extent practicable and in accordance with each KKR Fund's, Other Client's, KKR Associates Vehicle's and KKR proprietary entity's applicable investment strategies, are made over time on a fair and equitable basis. These policies and procedures are in addition to policies and procedures adopted by KKR that seek to allocate investment opportunities and related co-investment opportunities among KKR Funds, Other Clients, KKR proprietary entities or KKR Credit Funds, in the event there is an overlap of investment

strategies. Allocations of investment opportunities are reported to KKR's Global Conflicts Committee. KKR's Global Conflicts Committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions and circumstances as well as those implicit in the overall activities of KKR and its various businesses. Notwithstanding the application of the foregoing policies and procedures, a KKR proprietary entity may over any particular time period, and over all time periods, have superior performance than KKR Funds or Other Clients.

In order to fairly manage the allocation of investment opportunities, and to maintain the integrity of the investment strategy and track record of any Seed Investment or a KKR proprietary entity, investments will be allocated in a manner consistent with and pursuant to KKR Funds' allocation procedures. Under these procedures, which treat these KKR proprietary entities the same as KKR Funds, the conflicts inherent in making such allocation decisions may not always be resolved to the advantage of the KKR Funds.

Allocations of Investment Opportunities

Private Equity and Real Asset Investments

Generally, the terms of each KKR Fund or Other Client relationship (other than certain co-investment vehicles and KKR Associates Vehicles) include provisions setting out the rights of:

- the KKR Fund or Other Client to receive allocations of suitable investment opportunities in priority to, or together with or subject to, as applicable, the participation of other KKR Funds within the relevant strategy ("**Defined Allocation Rights**"); and
- KKR to permit third parties (including through co-investment vehicles established by KKR or KKR Credit for third parties, Employees and associated persons (i.e. KKR Associates Vehicle) or its principal investment activities) to co-invest in such opportunities.

These provisions, if applicable, are set out in the offering materials, disclosure documents and/or governing documents for each such KKR Fund.

Where the Defined Allocation Rights of a KKR Fund or Other Client that may invest in an investment opportunity include a contractual minimum investment amount, such KKR Fund or Other Client will generally receive at least that minimum amount before other KKR Funds or Other Clients participate (except for co-investment vehicles that are KKR Associates Vehicles, which are generally provided co-investment rights in governing documents of the relevant KKR Funds). Where more than one KKR Fund and/or Other Client may participate in an investment opportunity at the same level of priority pursuant to their Defined Allocation Rights, the relevant opportunity will generally be allocated among such KKR Funds on the basis of (i) the suitability of the investment opportunity for each such KKR Fund or Other Client and (ii) other relevant considerations, including, but not limited to, investment objectives; available capital, the timing of capital inflows and outflows and anticipated capital commitments and subscriptions; applicable concentration limits and other investment restrictions; mandatory minimum investment rights and other contractual obligations applicable to participating funds, vehicles and accounts and/or to their investors; portfolio diversification; tax efficiencies and potential adverse tax consequences; regulatory restrictions applicable to participating funds, vehicles and accounts and investors that could limit a KKR Fund's ability to participate in a proposed investment; policies and restrictions applicable to participating funds, vehicles and accounts; the avoidance of odd-lots or a *de minimis* allocation to one or more participating funds, vehicles and accounts; the potential dilutive effect of a new position; the overall risk

profile of a portfolio; the potential return available from a debt investment as compared to an equity investment; and any other considerations deemed relevant by KKR and its affiliates.

As a result of taking into account relevant KKR Fund or Other Client portfolio construction criteria and other relevant considerations described above in an allocation decision, a KKR Fund or Other Client may not participate in an investment opportunity that would otherwise be appropriate for it, or may receive an allocation that is smaller or larger than a strict application of available capital might otherwise indicate. In addition, certain KKR Funds may opt-out of an investment opportunity that is otherwise appropriate in accordance with the terms of the relevant KKR Fund. If a KKR Fund or Other Client cannot or does not participate in an investment opportunity, other KKR Funds may receive all or a portion of its allocation or its allocation may be offered to eligible investors (including co-investment vehicles established by KKR for third parties or its principal investment activities or KKR Associates Vehicles) in accordance with applicable fund agreements, investment management agreements and/or investment guidelines for participating KKR Funds.

Investments in Marketable Securities

As noted above in response to Item 5, certain KKR Funds may include a strategy that permits such KKR Funds to invest in Marketable Securities. All investments made on behalf of KKR Funds in Marketable Securities are made in accordance with the investment objectives and policies of the relevant KKR Funds as set forth in their offering materials, disclosure documents and/or governing documents. It is expected that the investment policies of such KKR Funds would be implemented by the relevant investment professionals or team of investment professionals on a segregated and stand-alone basis or subject to pre-clearance in accordance with KKR's compliance procedures.

Certain KKR proprietary entities may invest in Marketable Securities for the purpose of achieving returns on the firm's own capital. Investment professionals who participate in investment decisions made on behalf of other KKR Funds as described above may be involved in the investment activities of these proprietary entities. In addition, such proprietary entities may invest in the same Marketable Securities or other investments as such other KKR Funds and may co-invest with such other KKR Funds. To avoid potential conflicts of interest and to manage the accurate allocation of Marketable Securities between all accounts, KKR maintains allocation policies and procedures to ensure the allocation of Marketable Securities trades across all accounts are done on a consistent basis, rather than being subject to the decision of the investment professionals at the time of the trade.

Seed Investments

From time to time, KKR or its affiliates may make and hold through various entities, including without limitation, Seed Investments. In order to maintain the integrity of the investment strategy and track record of any Seed Investment, Seed Investments will not be considered proprietary entities for purposes of KKR's allocation policy, and will instead be allocated investments consistent with KKR client allocations.

To the extent KKR determines in good faith that an opportunity is most appropriate for the proprietary principal investment activities of KKR & Co. or its direct or indirect subsidiaries due to the strategic nature of the opportunity as it relates to the business of KKR & Co. or its direct and indirect subsidiaries, such investment opportunity will not be within the investment focus of the KKR Funds or Other Clients and therefore will not be allocated to KKR Funds or Other Clients.

Co-Investments

As indicated above, certain KKR Funds and KKR Credit Funds that facilitate co-investments alongside other KKR Funds (including KKR Funds, KKR proprietary entities and KKR Associates Vehicles, which are not subject to management fees and carried interest allocations, performance fees or other performance-related compensation) may co-invest in the same securities of a portfolio company alongside such other KKR Funds to the extent KKR has determined such co-investment opportunities are available. KKR and KKR Credit have adopted policies and procedures that seek to allocate such investment opportunities among the relevant KKR Funds in a fair and equitable manner or otherwise in accordance with related disclosure provided to the relevant KKR Funds and their underlying investors or as may otherwise have been agreed in the limited partnership agreements or other documents governing such KKR Funds. KKR may offer co-investment opportunities to investors in KKR Funds, Employees and other associated persons permitted to invest in KKR Associates Vehicles and to other third parties including third parties who KKR believe will be of strategic benefit to KKR Funds or who may provide broader capital raising opportunities to KKR.

Other Conflicts of Interest

KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KKR Credit Funds and Prisma Funds will generally engage common legal counsel and other advisors to represent all of the parties in a particular transaction, including a transaction in which such funds have conflicting interests because they are investing in different securities of a single portfolio company. In the event of a significant dispute or divergence of interest between one or more KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KKR Credit Funds and Prisma Funds, such as in a work-out or other distressed situation, separate representation may become desirable, in which case KKR may hire separate counsel in its sole discretion, and in litigation and other circumstances, separate representation may be required. Partners of the law firms and other advisor and service providers engaged to represent KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KKR Credit Funds and Prisma Funds may be, directly or indirectly, investors in such funds, and may also represent one or more portfolio companies or limited partners of such funds.

Item 12 Brokerage Practices

Selecting or Recommending Broker-Dealers

To the extent required by applicable law, it is KKR's policy to seek to obtain best execution of trades (if any) in public equity and debt securities and other Marketable Securities traded on behalf of the KKR Funds by a selected broker-dealer. In seeking best execution, the determinative factor is not always the lowest possible per security price or commission but whether, in KKR's view, the transaction represents the best overall qualitative and quantitative execution for the KKR Fund. KKR's process of determining best execution involves not only an assessment of brokerage commissions or bid/offer spreads, but also an evaluation of broker-dealer ancillary services. KKR may consider the full range of a broker-dealer's services in assessing best execution, including:

- competitiveness of commission rates and spreads;
- promptness of execution;
- past history in executing orders;
- clearance and settlement capabilities;
- research capabilities and quality;
- access to markets, investments (including access to new issues) and distribution network;
- trade error rate and ability or willingness to correct errors;

- anonymity /confidentiality;
- market impact;
- liquidity;
- speed of execution;
- expertise with complex transactions;
- trading style and strategy; and
- geographic location.

Although KKR will seek competitive commissions and spreads, it may not necessarily obtain the lowest possible rates for KKR Fund or Other Client transactions. The commissions, spreads, or other transaction or financial advisory fees charged by an executing broker-dealer may be higher or lower than those charged by other broker-dealers.

As noted above in Item 10, the Affiliated Brokers do not execute trade transactions on behalf of KKR Funds. In addition, such Affiliated Brokers do not maintain client accounts.

Research and Other Soft Dollar Benefits

Pursuant to KKR's current policy, it does not enter into soft dollar or comparable commission sharing arrangements with broker-dealers relating to transactions executed for the benefit of KKR Funds, despite the incentive to receive research or other products or services without paying. It should be noted however that various broker-dealers may provide KKR or its affiliates with proprietary research and other products and services, which KKR may use to equally service all KKR Funds. KKR is of the view that it would receive such research, products and services regardless of the volume of transactions executed through such broker-dealers or the level of commissions or spreads generated by such transactions and that, accordingly, it is not causing any KKR Fund or Other Client to "pay up" for such research, services or products and such research, products and services are not a factor considered by KKR in directing client transactions to such broker-dealers. KKR does not cause KKR Funds to pay commissions higher than those charged by other broker-dealers in return for soft-dollar benefits or direct client transactions to a particular broker-dealer in return for soft dollar benefits. Acquisitions of portfolio companies will typically be executed by KKR on behalf of KKR Funds on terms specifically negotiated by KKR with such companies or the seller of such companies.

Brokerage for Client Referrals

KKR does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer or a third party.

Directed Brokerage

KKR does not recommend, request or require that a client direct KKR to execute transactions through a specific broker-dealer.

Aggregation of Client Orders (Bunched Trades)

In order to minimize execution costs and obtain best execution for KKR Fund or Other Client transactions in Marketable Securities, KKR may bunch orders for KKR Funds (subject to KKR's obligation to obtain best execution and otherwise treat KKR Funds in a fair and equitable manner). Allocations of bunched trades are made consistent with KKR's allocation policies and procedures described above in Item 11.

Item 13 **Review of Accounts**

KKR has an internal structure which allocates responsibility for oversight of KKR Fund or Other Client portfolios and/or specific KKR Fund or Other Client portfolio investments to appropriate investment professionals and investment committees. Investments of KKR Funds (other than any KKR Funds within its customized platform and certain Other Clients) are ultimately overseen by six investment committees with primary responsibility for oversight of infrastructure investments (the “**KKR Infrastructure Investment Committee**”), energy-related investments (the “**KKR Energy Investment Committee**”), China growth investments (the “**KKR China Growth Investment Committee**”), real estate investments (the “**KKR Real Estate Investment Committee**”), investments made by KKR Principal Opportunities Partnership (Domestic) L.P. and KKR Principal Opportunities Partnership (Offshore) L.P. (the “**KPOP Investment Committee**”), and all other investments by KKR Funds (the “**KKR Private Equity Investment Committees**”) (collectively, the “**Investment Committees**”), unless otherwise specifically agreed with or disclosed to the relevant KKR Fund or Other Client and the underlying investors or client. Unless otherwise indicated, each committee member is a member of KKR. The KKR Private Equity Investment Committees include the KKR Americas Private Equity Investment Committee, the KKR European Private Equity Investment Committee and the KKR Asian Private Equity Investment Committee. The current members of KKR’s Americas Private Equity Investment Committee are Henry R. Kravis, George R. Roberts, Michael W. Michelson, Alexander Navab, James C. Momtazee and Peter Stavros. The current members of KKR’s European Private Equity Investment Committee are Henry R. Kravis, George R. Roberts, Johannes P. Huth, Brian Carroll, Dominic P. Murphy, John Empson, Robert Lewin and a director of KKR serving as an investment committee member who will rotate periodically with other directors of KKR. The current members of KKR’s Asian Private Equity Investment Committee are Henry R. Kravis, George R. Roberts, Joseph Y. Bae, David H. Liu, Ming Lu and Scott Bookmyer. The current members of KKR’s Infrastructure Investment Committee are Henry R. Kravis, George R. Roberts, Johannes P. Huth, Marc Lipschultz, Raj Agrawal and Jesús Olmos Clavijo. The current members of KKR’s Energy Investment Committee are Henry R. Kravis, George R. Roberts, Marc Lipschultz, Jonathan Smidt, Claire Farley, Robert Antablin (not a KKR member) and Raj Agrawal. The current members of KKR’s China Growth Investment Committee are Henry R. Kravis, George R. Roberts, Joseph Y. Bae, David H. Liu, and Ming Lu. The current members of KKR’s Real Estate Investment Committee are Henry R. Kravis, George R. Roberts, Todd A. Fisher, Ralph Rosenberg and Jamie Weinstein, an employee of KKR Credit. The current members of the KKR’s KPOP Investment Committee are Suzanne O. Donohoe, Marc Lipshultz, Henry H. McVey and Alexander Navab. The composition of any Investment Committee may change from time to time.

Potential investments (other than third party fund investments) are canvassed and preliminarily discussed at regular meetings of the relevant Investment Committee. Teams of KKR’s investment professionals (“**Investment Teams**”) responsible for identifying and conducting due diligence on each investment will present the investment to the Investment Committee, which will make the final investment decision in respect of the investment opportunity. Following the acquisition of an investment, it is monitored on an ongoing basis by the relevant Investment Teams and the appropriate portfolio management committee. KKR has established a dedicated portfolio management committee to monitor the performance of investments in portfolio companies in the Americas (the “**Americas PMC**”). The Americas PMC meets periodically, designating a number of investment teams on a rotating basis for presentation of their respective portfolio companies. Unless otherwise indicated, each committee member is a member of KKR. The current members of the Americas PMC include Henry R. Kravis, George R. Roberts, Paul E. Raether, Michael W. Michelson, Alexander Navab, William L. Cornog, an employee of KKR Capstone, and one or more Senior Advisors of KKR. In addition, KKR has established a dedicated portfolio management committee to monitor the performance of investments in portfolio companies in Asia (the “**Asia PMC**”). The Asia PMC meets periodically, and designates the investment teams to present the

respective portfolio companies by each region in Asia. Unless otherwise indicated, each committee member is a member of KKR. The current members of the Asia PMC include Paul E. Raether, Joseph Y. Bae, Ming Lu, David Liu, Sanjay Nayar, Justin C. Reizes, Hiro Hirano, Scott Bookmyer and one or more Senior Advisors of KKR. KKR has also established a dedicated portfolio management committee to monitor the performance of China growth investments (the “**CGF PMC**”). The CGF PMC meets quarterly. Unless otherwise indicated, each committee member is a member of KKR. The current members of the CGF PMC include Paul E. Raether, Joseph Y. Bae, David H. Liu, Ming Lu, and Scott Bookmyer, an employee of KKR Capstone. KKR has established a dedicated portfolio management committee to monitor the performance of investments in portfolio companies in Europe (the “**Europe PMC**”). The Europe PMC meets periodically. Unless otherwise indicated, each committee member is a member of KKR. The current members of the Europe PMC include Henry R. Kravis, George R. Roberts, Paul E. Raether, John Empson, Johannes P. Huth, Dominic P. Murphy, William L. Cornog, an employee of KKR Capstone, Alain Vourch, an employee of KKR Capstone, Juan de Ochoa, an employee of KKR Capstone, one or more Senior Advisors of KKR, and a director of KKR serving as an portfolio management committee member who will rotate periodically with other directors of KKR. KKR has established a dedicated portfolio management committee to monitor the performance of investments in real estate (the “**Real Estate PMC**”). The Real Estate PMC meets periodically. Unless otherwise indicated, each committee member is a member of KKR. The current members of the Real Estate PMC include Paul E. Raether, Todd A. Fisher, Jamie Weinstein, an employee of KKR Credit, and Ralph Rosenberg. The composition of any portfolio management committee may change from time to time.

Investments by KKR’s customized portfolio solutions platform are supervised on an ongoing basis by KKR’s customized portfolio solutions (CPS) group, which is managed on a day-to-day basis by Saleena R. Goel (not a KKR member) under the strategic oversight of Scott C. Nuttall.

The capital management group within Treasury and investments in Marketable Securities are managed on a day to day basis by Gary Jacobs (not a KKR member) under the oversight of Robert Lewin and Scott C. Nuttall, respectively.

Other Employees may provide strategic oversight of the investments of Other Clients (please see Item 16 for additional information regarding Investment Discretion with respect to Other Clients). With respect to KKR SPN Investments L.P., certain investments are under the strategic oversight of Blaine MacDougald, an employee of KKR Credit.

The nature and frequency of regular reports to KKR Funds or Other Clients and to investors in KKR Funds or Other Clients depends on the terms of the governing documents of such KKR Funds or Other Clients and/or the requirements of any exchange or market on which their securities are admitted to trade. Typically investors in KKR Funds are provided with written quarterly unaudited financial reports and annual audited financial statements.

Item 14 Client Referrals and Other Compensation

Economic Benefits from Non-Clients

As described in more detail under Item 5 and Item 10, Employees, Affiliated Brokers, other KKR proprietary entities and KKR Capstone and RPM receive economic benefits from portfolio companies of KKR Funds and Other Clients.

Please see response to Item 5, “Fees and Compensation” “Other Compensation” with respect to monitoring fees, financial advisory fees, transaction fees, accelerated fees, break up fees and other compensation.

Please see response to Item 5, “Fees and Compensation” “Other Compensation” with respect to directors’ fees for Employees serving on boards of portfolio companies.

Please see response to Item 5, “Fees and Compensation” “Other Compensation” and Item 10, “Other Financial Industry Activities and Affiliations” with respect to compensation received by Affiliated Brokers.

Please see response to Item 5, “Fees and Compensation” “KKR Capstone and RPM” with respect to portfolio companies of KKR Funds or Other Clients and fees and/or servicing payments payable to KKR, its affiliates, KKR Capstone or RPM.

Compensation to Non-Supervised Persons for Client Referrals

KKR may enter into solicitation agreements pursuant to which it compensates a third-party intermediary for client referrals that result in the provision of investment advisory services by KKR. Any cash solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act. Solicitors introducing clients to KKR may receive compensation from KKR, such as a retainer and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party from time to time. The cost of any such fees will be borne entirely by KKR and not by any affected client.

Item 15 Custody

KKR generally has custody of the assets of KKR Funds. Such KKR Funds and their investors receive annual audited financial statements from the KKR Funds’ auditor. KKR does not have custody of the assets of Other Clients.

Item 16 Investment Discretion

KKR, through the KKR GPs, has discretionary authority based on its management agreements with each KKR Fund and the limited partnership agreements that govern each KKR Fund to buy and sell securities or other investments on behalf of the KKR Funds and to determine the amount of such investments to be bought and sold. The terms upon which KKR serves as investment manager of a KKR Fund are established at the time each KKR Fund is established and are generally set out in the management agreement and/or limited partnership agreement or other governing document entered into by KKR with respect to the relevant KKR Fund, and disclosed in the offering documents for the relevant KKR Fund, as applicable. These terms, which vary as among each KKR Fund, potentially restrict KKR’s advice concerning investment in certain securities or types of securities, geographies and leverage. Typically, the governing documents of the KKR Funds (other than certain co-investment vehicles) contain only limited investment restrictions and requirements as to diversification of fund investments, either by geographic region or asset type.

For Other Clients, KKR negotiates the level of investment discretion with the client at the outset of the advisory relationship. Currently, Other Clients have final approval over all or some investment decisions for its account.

Item 17 Voting Client Securities

KKR has adopted policies with respect to public equity securities held by the KKR Funds (i.e., for passive investments in Marketable Securities). Voting decisions with respect to client investments in fixed income securities and the securities of privately held issuers generally will be made by the relevant investment professionals. It is the general policy of KKR to vote client proxies in the interest of maximizing shareholder value. To that end, KKR will vote in a way that it believes is consistent with its obligations to the KKR Funds, and will cause the value of the relevant investment to increase the most or decrease the least. KKR recognizes that there may be a potential conflict of interest when voting a proxy solicited by an issuer that is an investor in a KKR Fund or with whom KKR has another business relationship that may affect how it votes the issuer's proxy. KKR has adopted policies to address these and other issues that could give rise to a conflict, including referring the matter to KKR's Compliance Group to address issues raised from potential conflicts. KKR maintains documentation to support its proxy voting position on such other proxy matters. KKR may depart from these guidelines in order to avoid voting decisions believed to be contrary to the best interests of the KKR Funds or if it has agreed otherwise with the relevant client.

A KKR Fund or investor in a KKR Fund may obtain a copy of KKR's proxy voting policies and procedures and information on how KKR voted proxies on behalf of such party on written request to KKR.

Item 18 Financial Information

KKR does not require the payment of management fees or other compensation six months or more in advance. There exists no financial condition of which KKR is currently aware that would impair KKR's ability to meet contractual commitments to its clients.

Item 19 Requirements for State-Registered Advisers

KKR is not registered with any state securities authorities.