

Kelso & Company, L.P.

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This Brochure provides information about the qualifications and business practices of Kelso & Company, L.P. (together with any predecessor entity, the “Adviser,” “we,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at (212) 751-3939. 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. Registration with the SEC does not imply a certain level of skill or training.

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

Item 2 - Material Changes

The following are the material changes since our last update on March 30, 2015:

- Item 4 (“Advisory Business - Principal Owners”) has been modified to reflect an internal reorganization of the Adviser, including the inclusion of certain senior professionals of the Adviser as shareholders in the Adviser’s general partner.
- Item 4 (“Advisory Business - Fund Structure”) has been modified to address the formation of a new co-investment vehicle, which has been formed to invest alongside the Adviser’s most recent Primary Fund.
- Item 5 (“Fees and Compensation”) has been modified to reflect changes relating to the Adviser’s most recent Primary Fund.
- Item 10 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – Allocation of Investment and Sale Opportunities – Allocation of Co-Investments”) has been modified to clarify the Advisors obligations with respect to co-investment opportunities.
- Item 11 (“Brokerage Practices”) has been modified to clarify that the Adviser may in certain limited circumstances engage broker-dealers.
- Item 12 (“Review of Accounts”) has updated to reflect the Adviser’s recent engagement of a European depositary for its recent Primary Fund.

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Item 3 - Advisory Business

Generally

The Adviser was established in 1971 as an advisory firm assisting companies in creating Employee Stock Ownership Plans. In 1980, the Adviser formed its first investment partnership to make direct equity investments in companies. The Adviser is a Delaware limited partnership.

Throughout its history, the Adviser has remained focused on partnering, and creating a significant alignment of interest, with best-in-class management teams and providing them significant equity participation. The Adviser has sought meaningful personal investments in portfolio companies from its management teams and to implement attractive equity incentive programs to create an alignment of interest and strong financial incentives. The Adviser has continued to demonstrate the creativity upon which it was founded, by pursuing innovative strategies and structures and adapting to the changing market environment to identify the most compelling investment opportunities.

Principal Owners

The Adviser is principally controlled by its general partner, Kelso & Companies, Inc., and is beneficially owned by the Principals (defined below). Kelso & Companies, Inc. is owned by Frank T. Nickell, Thomas R. Wall IV and George E. Matelich.

The day-to-day affairs of the Adviser are generally managed by Frank T. Nickell, Philip E. Berney, Frank J. Loverro, A. Lynn Alexander, Frank K. Bynum, Jr., Christopher L. Collins, James J. Connors, II, Michael B. Goldberg, John K. Kim, Henry Mannix III, George E. Matelich, Howard A. Matlin, Church M. Moore, Stanley de J. Osborne, David I. Wahrhaftig and Thomas R. Wall, IV, and (the “Principals”).

Advisory Services

The Adviser provides investment advisory services to privately offered funds, which are investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended, and whose securities are not registered under the Securities Act of 1933, as amended. The Adviser currently serves as the investment manager for Kelso Investment Associates VII, L.P. (“Fund VII”), Kelso Investment Associates VIII, L.P. (“Fund VIII”) and Kelso Investment Associates IX, L.P. (“Fund IX”), and together with Fund VII and Fund VIII, the “Primary Funds”), as well as certain related investment vehicles described below. The investment strategy of the Adviser is described in Item 8 below and set forth more fully in the private placement memoranda (as supplemented or amended, the “Private Placement Memoranda”) of each Primary Fund. The Adviser provides services to each Primary Fund in accordance with the limited partnership or similar governing agreement of such Primary Fund (each, a “Partnership Agreement”) and the management agreement between the Adviser and such Primary Fund (each, a “Management Agreement”). The Adviser’s investment advice to the

Primary Funds and to certain other Funds (described below) that are related to the Primary Funds, is limited to the type of advice described in this Brochure.

Fund Structure

As a general matter the Primary Funds are managed by the Adviser, which investigates, analyzes, structures and negotiates potential investments. The Adviser has general authority to recommend investments to the general partner of each Primary Fund (the “General Partners”), subject to the limitations set forth in the Management Agreements and Partnership Agreements of the Primary Funds. The management and the conduct of the activities of each Primary Fund remain the ultimate responsibility of such Primary Fund’s General Partner. The General Partner of each Primary Fund is an affiliate of the Adviser.

The Adviser may establish additional vehicles to allow certain persons to invest alongside a Primary Fund in one or more investment opportunities (each such vehicle, a “Co-Investment Fund”). Two such Co-Investment Funds include KEP VI, LLC, a Delaware limited liability company (“KEP VI”) and KSN Fund IX, L.P., a Delaware limited partnership (“KSN IX”, and together with KEP VI and their related vehicles, the “Kelso Investment Funds”). The Kelso Investment Funds provide the Adviser’s employees, outside directors, consultants and advisors, other executives and portfolio company management teams with the opportunity to invest alongside certain Primary Funds (e.g., KSN IX was recently formed to invest alongside Fund IX). The Adviser may form other Co-Investment Funds in the future.

Traditionally, KEP VI (as the sole Kelso Investment Fund) has elected an investment percentage in advance for each year to participate in all investments (including follow-on investments) made by Fund VII and Fund VIII during such year. However, the Kelso Investment Funds investing alongside Fund IX (together with the general partner of Fund IX) have instead committed in the aggregate a fixed amount to invest in or alongside Fund IX, which commitment will not be reduced except in connection with the termination of employment or affiliation of certain persons with the Adviser. The Adviser will report any co-investments completed alongside the Primary Funds to the applicable Limited Partners of such Primary Funds. As a general matter, any investment by a Co-Investment Fund (including Kelso Investment Funds) will be on terms and conditions not more favorable than the terms and conditions of the investment by the applicable Primary Fund. In connection with a follow-on investment, if the side-by-side investment percentage changes with respect to the investment made by a Kelso Investment Fund during the period between the date of the initial investment and the date of the follow-on investment, the share of the follow-on investment allocated to such Kelso Investment Fund will be based upon the side-by-side investment percentage at the time such follow-on investment is made in accordance with the applicable Partnership Agreement or similar governing agreement of the Kelso Investment Fund.

Additionally, the Adviser (and its related persons) may organize and serve as a general partner (or in an analogous capacity) of certain investment vehicles which are “feeder” vehicles (each, a “Feeder Fund”) organized to invest exclusively in a Primary Fund, and alternative investment vehicles (each, an “Alternative Investment Vehicle”) organized in connection with

the Primary Funds to address specific tax, legal, business, accounting, regulatory or other similar matters that may arise in connection with a transaction or transactions.

The Primary Funds, Co-Investment Funds (including the Kelso Investment Funds), Feeder Funds and Alternative Investment Vehicles are collectively referred to as the “Funds.”

The general partners and other managing entities of the Funds described above are collectively referred to as the “General Partners” in this Brochure. The limited partners, investors and members of the Funds described above are collectively referred to as “Limited Partners” in this Brochure.

Investment Restrictions

The advice provided by the Adviser and its affiliates to each Fund is tailored to meet the individual investment objectives and restrictions of each Fund. Each Partnership Agreement imposes restrictions on investing in certain securities or types of securities.

Management of Client Assets

As of December 31, 2014, the Adviser managed \$6,958,136,509 of client assets on a discretionary basis and no client assets on a nondiscretionary basis.

Item 4 - Fees and Compensation

Adviser Compensation

The Adviser is paid an annual management fee (the “Management Fee”) in accordance with the Partnership Agreement and Management Agreement of each Primary Fund, a portion of which may be borne by Alternative Investment Vehicles formed in connection with certain transactions of such Primary Fund. Co-Investment Funds (including Kelso-Investment Funds) generally do not pay Management Fees but may be subject to an administrative allocation intended to cover the Adviser’s administrative costs. The Management Fee is payable to the Adviser in tri-annual installments in advance, funded by drawdowns of unfunded capital commitments of the Limited Partners or out of distributable proceeds and gains of the Primary Funds, in each case in accordance with each Primary Fund’s Partnership Agreement.

The Management Fees paid in respect of Fund VII and Fund VIII are calculated as a percentage of capital commitments of the Limited Partners to such Primary Fund through the end of such Primary Fund’s investment period, and thereafter, as a percentage of funded capital commitments that remain invested in such Primary Fund’s portfolio companies. However, in Fund IX, Management Fees are generally calculated with respect to each Limited Partner on a blended basis taking into account both the capital commitments of Limited Partners and total capital used for investments through the end of the investment period, and thereafter, as a percentage of funded capital commitments that remain invested in Fund IX’s portfolio companies. Limited Partners in Fund IX may choose between two different Management Fee schedules, which vary in timing and percentage.

The Management Fee calculated with respect to each Limited Partner of the Primary Funds is typically subject to reduction for certain amounts, including: (a) such Limited Partner's *pro rata* share of any placement fees paid or payable by the applicable Primary Fund in such calendar year (with the result that placement fees are borne by the Adviser); (b) such Limited Partner's *pro rata* share of a percentage (specified in the relevant Partnership Agreement) of director's fees, transaction fees, investment banking fees, break-up fees, advisory fees, monitoring fees or other similar fees received in the previous calendar year by the Adviser in respect of the Primary Fund's investments to the extent such fees exceed unreimbursed expenses (collectively, "Fee Income"); and (c) such Limited Partner's *pro rata* share of any Organizational Expenses (defined in "Additional Fees and Expenses" below) that were paid by the Primary Fund in the previous calendar year and that exceed the threshold set forth in the respective Partnership Agreement. For purposes of the preceding sentence, a Limited Partner's *pro rata* share is based on the aggregate capital commitments of the Limited Partners to such applicable Primary Fund. Any excess Management Fee reductions will be carried forward if necessary.

Fee Income relating to investment activities will generally be allocated among the applicable Primary Funds, Kelso Investment Funds and other Co-Investment Funds (if any) in accordance with each applicable limited partnership agreement. Fee Income allocated to a Primary Fund will reduce the Management Fees of such Primary Fund as described above. Fee Income allocated to a Kelso Investment Fund (including KSN IX) will be retained by the Adviser. For Fund VII and Fund VIII, as set forth in their respective Partnership Agreements, Fee Income allocated to a Co-Investment Fund (other than any Kelso Investment Funds) offsets the Management Fees payable by such Co-Investment Fund (if any) and any excess is retained by the Adviser (although no such Co-Investment Funds have been formed in connection with the Fund VII and Fund VIII). For Fund IX, Fee Income allocated to a Co-Investment Fund (other than any Kelso Investment Fund) that does not pay a Management Fee is instead allocated to the Primary Fund and the applicable Kelso Investment Funds. If upon the dissolution of Fund IX there is unapplied Fee Income remaining after all applicable reductions in the Management Fee payable, each Limited Partner of Fund IX will be entitled to elect to receive its *pro rata* share of such unapplied Fee Income. The Adviser will be entitled to retain any remaining Fee Income attributable to non-electing Limited Partners of Fund IX, as well as remaining Fee Income relating to prior Primary Funds that do not have an election mechanic.

The Management Agreements of the Funds generally provide that upon termination of the Management Agreement, the Adviser shall repay to the Fund or to a replacement manager, as directed by the Fund's General Partner, the unearned portion (computed on the basis of the number of days elapsed), if any, of any Management Fees previously paid to the Adviser.

Certain related persons of the Adviser also receive "carried interest" (a form of performance-based compensation), as discussed in Item 6. Engagement by the Adviser of a financial intermediary, such as a broker dealer, and any commissions paid in connection with Fund investments are discussed in Item 12.

Additional Fees and Expenses

In addition to the Management Fee and, if applicable, carried interest and the administrative allocation, the Funds (and indirectly their Limited Partners) bear (to the extent not reimbursed by a portfolio company or other third party) certain costs and expenses incurred by the Adviser and/or its affiliates in connection with the operation of the Funds. These costs and expenses generally include: fees and expenses related to consummated portfolio investments, proposed but unconsummated investments, guarantees or indebtedness including related interest charges and temporary investments, as well as any costs and expenses related to the evaluation, acquisition, disposition and holding of all such investments; insurance premiums protecting the Funds and their affiliates from liabilities in connection with Fund affairs; legal, custodial, bank, depository, accounting, auditing, tax preparation, out-of-pocket communication costs, appraisal and consulting fees; expenses related to organizing companies through which portfolio investments are made, including structuring, creating and monitoring alternative investment vehicles; taxes or other governmental charges payable by the Funds; reimbursement of expenses of the advisory committee; damages related to investments or activities undertaken in connection with the Funds; costs of reporting to Limited Partners (including travel expenses related thereto) and to governmental authorities with respect to the Funds; costs related to a defaulting Limited Partner and expenses in winding up or liquidating the Fund. Co-Investment Funds formed to invest in one or more specific investments (as opposed to co-investing in all investments) will generally not be required to share in any broken-deal expenses, which expenses shall be borne by the applicable Primary Fund and any other Co-Investment Fund co-investing with such Primary Fund in all investments.

The types of fees and expenses that are generally charged and shared by the Funds in connection with identifying, evaluating, structuring and negotiating proposed investments (including those that are not ultimately consummated by the Funds) and the acquisition, management, holding, sale, proposed sale or valuation of investments include, where contemplated by the applicable Partnership Agreement, among other things: meals, entertainment, lodging and travel expenses (collectively, “travel expenses”). Travel expenses associated with the acquisition, evaluation, structuring, holding and disposition of investments (including firm meetings related thereto) may include the use of private airplanes or non-commercial charters, including private planes owned by the Adviser or its affiliates, where the cost is justified by greater efficiency or security, cost or better access to destinations, as the Adviser determines is appropriate. In these cases the allocable cost of such time sharing arrangements may, where determined to be reasonably appropriate, be charged to the applicable Funds or to portfolio companies of the Funds.

The Adviser typically enters into agreements with the portfolio companies of the Funds which provide for reimbursement of out-of-pocket expenses and whereby each portfolio company indemnifies the Adviser and its affiliates, including the applicable Fund and any other investing entities, against all claims, liabilities, damages, costs and expenses, including legal fees, to which they may be or become subject by reason of their providing services to or their investment in the portfolio company. Portfolio Companies may also have typical indemnification obligations relating to officers, directors and other parties. The Adviser may

also receive monitoring, transaction, directors, consulting, break-up or other fees in connection with the Funds' investment activities. In general, the aggregate management fee that a Primary Fund pays the Adviser is reduced by a portion of such fees that are allocated to the Primary Fund in accordance with the Primary Fund's Partnership Agreement. These payments by portfolio companies could also reduce the Fund's returns.

The Funds also bear all costs in connection with their respective formation and organization, and the offering of interests in such Funds (collectively, the "Organizational Expenses"), *provided* that, to the extent that these fees and expenses exceed the threshold set forth in the relevant Partnership Agreement, such excess will be borne by the Adviser. In addition, the Adviser will ultimately bear all fees of any placement agent for the Funds (as described in "Adviser Compensation" above). All Fund expenses are allocated in accordance with each Fund's Partnership Agreement. The Adviser's Chief Financial Officer must approve all Fund expenses to ensure that the expenses are allocated in accordance with the applicable Partnership Agreement.

Except as set forth above, the Funds will not pay the Adviser's costs and expenses. Thus, the Adviser is not reimbursed by the Funds for its normal operating overhead, salaries of the Adviser's employees, rent and other expenses incurred in maintaining the Adviser's place of business. The Adviser may from time to time seek the benefit of certain third party industry advisors and operating managers (collectively referred to as, the "Kelso Specialist Network"), investors and their affiliates or other third parties unaffiliated with the Adviser or the Kelso Specialist Network, in each case on an arm's length basis as they deem appropriate, to provide services including consulting, sourcing, reporting, investing, assisting in due diligence, monitoring or managing portfolio companies of the Primary Funds. Depending on the circumstances, members of the Kelso Specialist Network may receive as consideration for such services compensation, profits interests or other remuneration from portfolio companies, the Primary Funds (including applicable Kelso Investment Funds) or the Adviser. Members of the Kelso Specialist Network may also have the option to participate in a Kelso Investment Fund, which invests alongside certain Primary Funds in all investments, or to invest directly in certain portfolio companies. In addition, the portfolio companies of the Primary Funds may from time to time provide services to other portfolio companies of the Primary Funds, or to the Adviser. Such arrangements (if any) will be entered into on an arm's length basis as the parties deem appropriate.

This list is not intended to be exhaustive, and can vary from Fund to Fund. Prospective and existing Limited Partners of the Funds are advised to review the applicable Fund offering and organizational documents (including the Partnership Agreement) for a more extensive description of the fees and expenses associated with an investment in the Funds.

Item 5 - Performance-Based Fees and Side-by-Side Management

Pursuant to the Partnership Agreement of each Primary Fund, the applicable General Partner (a related person of the Adviser) is entitled to receive “carried interest” with respect to each Limited Partner. Alternative Investment Vehicles established in connection with a Primary Fund may bear a portion of the carried interest in respect of such Primary Fund. Such carried interest is generally paid out of the proceeds realized from the applicable investments of the Primary Funds. Co-Investment Funds generally are not subject to carried interest.

Although as a general matter the Adviser will be selecting investments for a single Primary Fund at any given time (other than the overlapping period when a predecessor Fund and successor Fund are both able to make investments), the existence of carried interest may incentivize the Adviser to favor one Fund over another Fund. The Adviser’s policies relating to the allocation of investment and sale opportunities among the Funds is described in more detail in Item 11.

The existence of the General Partner’s carried interest may also create an incentive for the General Partner and Adviser to make more speculative investments on behalf of each Primary Fund than it would otherwise make in the absence of such carried interest. To help align the interests of the General Partner and Adviser with those of the Limited Partners, the General Partner its affiliates and employees invest a substantial amount of capital in or alongside the Primary Funds (including through the Kelso Investment Funds, as described in Item 4) an amount equal to at least 5% (and, depending on the Primary Fund, an amount up to 25%) of such Primary Fund’s total capital commitments.

Item 6 - Types of Clients

The Adviser provides investment advisory services and administrative services to the Funds and not directly to the Limited Partners of the Funds. Limited Partner interests may be purchased only by investors that are (a) “accredited investors,” as defined in Regulation D of the U.S. Securities Act of 1933, as amended, and (b) (other than with respect to certain Co-Investment Vehicles) “qualified purchasers” for purposes of section 3(c)(7) of the Investment Company Act of 1940, as amended.

Limited Partners of the Primary Funds generally are required to make a minimum commitment of \$10 million, but the applicable General Partner has the discretion to, and has previously, waived this minimum commitment in certain circumstances.

Item 7 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

The investment strategy of the Funds is to realize significant long-term capital gains by investing in equity, equity-related and other securities and obligations of entities (a) formed to effect, or that are the subject of, leveraged buy-out transactions, (b) that are being recapitalized or (c) that require capital for operations or business expansion. The Funds primarily pursue investment opportunities in growing middle-market companies across a broad range of industries.

The Adviser typically obtains information with respect to potential portfolio companies from management teams, commercial and investment bankers, attorneys, accountants, appraisal firms, consultants and other advisors and intermediaries of such companies. The Adviser utilizes carefully designed and rigorous due diligence procedures to identify and quantify the productivity, cost structure and working capital improvement opportunities that can realistically be achieved with respect to each potential investment.

To facilitate this investment strategy, the Adviser focuses its analysis on businesses that: (i) possess experienced and talented management teams; (ii) have a history of strong earnings and cash flows; (iii) maintain a significant market presence characterized by proprietary products or value-added services with sustainable franchises; (iv) generate a sufficiently high return on assets to support an appropriate level of debt; and (v) exhibit the potential for substantial growth in equity value.

Certain Risks Relating to the Investment Strategies of the Funds

Investing in securities involves risk of loss that clients should be prepared to bear, including but not limited to the risks summarized below:

- changes in general economic conditions;
- availability of debt financing for transactions;
- highly competitive market for investments;
- reliance on the expertise of investment professionals of the Adviser and its affiliates;
- potential conflicts of interest among Funds or between the Funds on the one hand and the Adviser, and its affiliates and investment professionals on the other hand;
- exposure to portfolio company and related party claims;
- potential liabilities in connection with dispositions of investments;

- reliance on portfolio company management;
- defined benefit pension liabilities of portfolio companies;
- certain additional economic, political, regulatory and other risks relating to non-U.S. investments, including the volatility of the equity markets and the securities markets generally;
- additional or unforeseen taxation in jurisdictions in which the Funds operate and invest;
- illiquidity of investments, including the possibility of little or no near-term cash flow distributions;
- lack of diversification;
- investments in portfolio companies that may have little or no operating history and that may have high levels of debt; and
- investments in portfolio companies with high levels of debt.

These risks are generally applicable to the investment strategy of the Funds (although certain risks described above may not be applicable to the activities of Co-Investment Funds or Alternative Investment Vehicles, certain of which were formed for the purpose of investing in a single portfolio company). These risks are described in greater detail in the Private Placement Memorandum provided to Limited Partners.

Item 8 - Disciplinary Information

The Adviser has no information to disclose that is applicable to this Item.

Item 9 - Other Financial Industry Activities and Affiliations

The General Partners of the Primary Funds are affiliated with the Adviser by common ownership.

On March 6, 2015, BlackRock Advisors, LLC (the "BlackRock Advisor"), an indirect, wholly-owned subsidiary of BlackRock, Inc., consummated a transaction pursuant to which it acquired substantially all of the business it did not already own of BlackRock Kelso Capital Advisors LLC (to be renamed 52nd Street Capital Advisors LLC) (the "Former BDC Advisor") the investment adviser to BlackRock Capital Investment Corporation (formerly BlackRock Kelso Capital Corporation) (NASDAQ: BKCC) (the "Company" or "BKCC") (such transaction, the "Transaction"). In connection with the Transaction, the Company entered into a new investment management agreement with BlackRock Advisor for BlackRock Advisor to serve as the investment adviser to BKCC. BlackRock Capital Investment Corporation is a business development company that provides debt and equity capital to middle-market companies.

Certain Managing Directors and employees of the Adviser maintain an ownership interest in the Former BDC Advisor. The Former BDC Advisor retains some assets not associated with the Company as well as an interest in an escrow account from the Transaction. While several of the Principals individually served on the Former BDC Advisor's investment committee, the Adviser as an organization did not participate in the activities of the Former BDC Advisor or advise the Company. Michael Lazar, a former Kelso Investment Partner, served as the Chief Operating Officer of the Company and was a member of the Board of Directors of the Company.

Should conflicts of interest arise in the context of this or other relationships that the Adviser has with financial service companies, they will be addressed in accordance with the Code of Ethics (described in further detail in Item 11), the Partnership Agreements and the Adviser's compliance policies and procedures, as applicable.

Item 10 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a code of ethics (the "Code of Ethics") pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the "1940 Act") for all Supervised Persons of the Adviser. "Supervised Persons" include (a) any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of the Adviser and (b) any other person who provides investment advice on behalf of the Adviser and is subject to the Adviser's supervision and control.

The Code of Ethics establishes the standard of conduct expected of all of the Adviser's Supervised Persons, in light of the Adviser's duties to the Funds under the 1940 Act. The Code of Ethics is based on the principle that the Adviser owes a fiduciary duty to the Funds for which the Adviser (or a related person) serves as a General Partner and fund manager. At all times the Adviser's Supervised Persons must (i) place the interest of the Funds ahead of their own personal interests, (ii) conduct personal securities transactions in full compliance with the Code of Ethics, (iii) avoid taking inappropriate advantage of his or her position with the Adviser and (iv) comply with applicable Federal securities laws and regulations.

The Code of Ethics includes provisions relating to the fiduciary duties of Supervised Persons, a prohibition on insider trading, the confidentiality of information concerning the Funds, their portfolio companies, Limited Partners and the Adviser, and reporting obligations relating to securities holdings and transactions, among other matters. Each of the Adviser's employees is required to provide the Chief Compliance Officer with a written acknowledgement of his or her receipt of the Code of Ethics and any amendments, and thereafter must certify on an annual basis to having read and understood the Code of Ethics.

The Code of Ethics forbids any Supervised Person from engaging in any insider trading and from disclosing or using material non-public information in violation of applicable law. The Code of Ethics generally restricts trading in close proximity to Fund investment activity. All of

the Adviser's Supervised Persons are required by the personal securities transactions policy in the Code of Ethics to:

- pre-clear certain personal securities transactions;
- report personal securities holdings to the Chief Compliance Officer after becoming an employee;
- report personal securities transactions to the Chief Compliance Officer quarterly; and
- report personal securities holdings to the Chief Compliance Officer annually.

Employee trading is routinely monitored by the Chief Compliance Officer pursuant to the Code of Ethics in order to reasonably prevent or address conflicts of interest among the Adviser, Supervised Persons and the Funds.

In addition, all Supervised Persons must provide both annual and quarterly reports confirming their compliance with different policies and procedures in the Code of Ethics.

The Funds, Limited Partners and prospective investors in the Funds may request a copy of the Code of Ethics by contacting the Adviser's Chief Compliance Officer.

Participation or Interest in Client Transactions

The Adviser investigates and structures potential investments of the Funds, as described in Item 16. Principals have a material financial interest in these investments through their commitment to the General Partners and to the Kelso Investment Funds, as described in Items 4 and 6. The Adviser has adopted a Code of Ethics and has designed written policies to ensure its compliance with the provisions of each Partnership Agreement addressing potential conflicts of interest involving the Adviser and its related persons. In limited circumstances, the Adviser may recommend the purchase of public securities of a company in which the Adviser or an affiliate has a pre-existing interest. However, each Fund's Partnership Agreement restricts those transactions where such pre-existing interest is less than 5% of the total outstanding securities of such company. Additionally, while the Fund has made investments through special purpose vehicles ("SPVs"), and may continue to do so in the future, the Adviser views such SPVs as part of the Funds and the Adviser receives no additional benefit from advising the SPVs.

Allocation of Investment and Sale Opportunities Policy

Investment opportunities are allocated among Funds based upon the provisions of the applicable Partnership Agreements. To the extent that a relevant Partnership Agreement does not address the manner in which the investment opportunity should be allocated, the Adviser will allocate the opportunity between or among the Funds in good faith, according to the policies and procedures set forth in its written compliance policies and procedures (the "Allocation Policies"). The Allocation Policies govern the appropriate allocation of investment opportunities, and

provide that when determining these allocations the Adviser will consider the following factors: (i) the size, nature, risk profile and type of investment opportunity; (ii) principles of diversification of assets, including, without limitation, in respect of geography, investment size and sector; (iii) the investment guidelines, limitations and investment strategies of each Fund; (iv) cash availability and leverage capabilities of each Fund; (v) the magnitude of the investment; (vi) a determination by the Adviser that the opportunity is inappropriate, in whole or in part, for one or more of the Funds; (vii) proximity of a Fund to the end of its specified investment or liquidation period; (viii) applicable transfer or assignment provisions (ix) applicable law; (x) follow on obligations; or (xi) such other factors as the Adviser deems relevant in good faith.

Similarly, the sale of an investment held by two or more such Funds where a sale opportunity or exit strategy has been identified, generally will be allocated on a pro rata basis and at substantially the same time, unless the other Fund wishes to hold some or all of such investment until a later date and the Adviser's Compliance Committee determines that it would not be contrary to the best interests of the Funds. The Funds are generally prohibited by the applicable Partnership Agreements from (1) selling investments to other Funds or purchasing investments from the other Funds, (2) causing any portfolio company's to issue or sell any securities to any other Funds or (3) acquiring securities of any portfolio company held by the other Funds.

The Adviser or its affiliates may be required to address potential conflicts of interests between Funds relating to investment and sale opportunities. Subject to the provisions of the Partnership Agreements of the affected Funds, on any matter involving a conflict of interest, the Adviser or its affiliates will be guided by its duties to each Fund and will seek to resolve such conflict in good faith. However, if necessary to resolve such conflict, the Adviser or its affiliates reserve the right to cause one affected Fund to take such steps as may be necessary to minimize or eliminate the conflict, even if that would require such account to (a) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (b) otherwise take action that may have the effect of benefiting the Adviser, any of its affiliates, or another Fund and may not be in the best interest of the affected Funds.

Allocation of Co-Investments

The Adviser is not obligated to offer Limited Partners co-investment opportunities and may offer co-investment opportunities in investments made by the Primary Funds to one or more third party co-investors pursuant to the terms of the applicable Partnership Agreements, regardless of whether or not the Adviser offers such co-investment opportunity to any Limited Partners of the applicable Primary Fund. Determinations regarding the allocation of such opportunities may be made by the Adviser in its sole discretion based on a broad range of considerations, including commercial considerations relating to the applicable portfolio investment, an investor's stated desire to participate in co-investments (including as expressed in a side letter by a Limited Partner), an investor's reliability and history of making similar co-investments, an investor's ability to evaluate and execute such offer in the requisite time period and the approval of transaction counterparties. The Adviser will maintain a list of any Limited Partners of the Primary Funds that have expressed an interest in being presented with co-

investment opportunities. However, participating in a Primary Fund does not entitle any Limited Partner to be offered or to participate in any co-investment opportunities in investments made by the Primary Funds. Additionally, members of the Kelso Specialist Network may have the opportunity to participate in a Kelso Investment Fund or to invest directly in a portfolio company.

Item 11 - Brokerage Practices

Due to the nature of the investments made by the Primary Funds, broker-dealers are not generally used for transactions other than in limited circumstances as advisors in certain mergers and acquisitions. However, when executing transactions on behalf of the Primary Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' reliability, industry experience and capability based on previous and pending transactions effected by the broker-dealer for client accounts.

Research and Other Soft Dollar Benefits

The Adviser, as a matter of policy, does not enter into soft dollar arrangements (that is, arrangements under which research and certain other services are acquired in connection with brokerage arrangements). If the Adviser determines to do so, it will endeavor to do so within the "safe harbor" provided by Section 28(c) of the Securities and Exchange Act of 1934. While the Adviser may receive proprietary research from certain brokerage firms, it does not take the value of such research into account in selecting brokers.

Aggregation of Client Trades

The purchase or sale of securities may be aggregated for various Funds to the extent that more than one Fund is acquiring or selling securities in the same portfolio company. Where a sale opportunity is identified for an investment held by two or more Funds, the opportunity will be allocated in accordance with the applicable Partnership Agreements and the "Allocation of Investment Opportunities" section described in Item 11. The Adviser will generally aggregate the securities that are to be disposed of if that is the most efficient means to dispose of the securities.

Item 12 - Review of Accounts

The Adviser closely monitors companies in which the Primary Funds invest, and generally maintains an ongoing oversight position in such companies (including, where relevant, representation on the board of directors of such companies). Because investments made by the Funds are generally private, illiquid and long-term in nature, the Adviser's review process is not directed toward a short-term decision to dispose of securities. The Adviser's transaction professionals extensively analyze the viability of anticipated exit strategies during the investment

decision-making process and continually evaluate potential exit strategies throughout the life of a portfolio investment. In determining the ultimate timing of a full or partial exit, the transaction teams consider the company's strategic progress, growth prospects, business environment, capital markets and overall economic conditions. In light of the European marketing requirements under the Alternative Investment Fund Managers Directive (AIFMD), the Adviser has engaged a depositary for Fund IX.

Final investment decisions and exit strategies are made by a majority vote of the investment professionals who sit on the applicable Fund's investment committee, excluding any investment professionals that are part of the applicable investment team.

The Adviser provides an annual report to the Limited Partners of each Fund. The annual report contains the audited financial statements of the respective Fund, which are prepared in accordance with generally accepted accounting principles.

Item 13 - Client Referrals and Other Compensation

In connection with the marketing and sale of interests in the Primary Funds, one or more placement agents have been compensated in accordance with the Partnership Agreements of such Primary Funds. The Partnership Agreements provide that the Management Fees are subject to reduction (as described in Item 5 above) for contributions made by Limited Partners to the Primary Funds to pay any placement fees paid or payable by such Primary Funds (with the result that placement fees are borne by the Adviser). All such placement agent fees are disclosed to the relevant Limited Partners of each Primary Fund.

Item 14 - Custody

The Adviser is deemed to have custody for purposes of the Advisers Act of each Fund's cash and securities by virtue of its relationship with such Fund's General Partner. Except as permitted by the Advisers Act, such cash and securities are maintained in accounts established with qualified custodians, as defined in Rule 206(4)-2 of the Advisers Act (each, a "Qualified Custodian"). Such accounts are in the name of the relevant Fund.

The Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Each Fund's audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to each Fund's investors within 120 days of such Fund's fiscal year end.

Item 15 - Investment Discretion

The Adviser has discretion to recommend investments for each Fund to the General Partner of the Fund without the consent of the Limited Partners, subject to the limitations set forth in the Management Agreement and Partnership Agreement of such Fund. However, the management and the conduct of the activities of each Fund remain the ultimate responsibility of such Fund's General Partner, an affiliate of the Adviser.

Item 16 - Voting Client Securities

The Funds invest primarily in private companies, which typically do not issue proxies. The Adviser has adopted written policies and procedures regarding proxy voting (the “Proxy Voting Policy”) in the event that the Adviser is required to vote proxies on behalf of the Fund. It is the Adviser’s policy to exercise any proxy proposals received in connection with publicly traded portfolio companies of the Funds, in the best interest of the applicable Fund, taking into consideration all relevant factors, including, without limitation, acting in a manner that the Adviser believes will maximize the ultimate long term economic value of the relevant Fund. Whenever the Adviser is required to exercise a vote for a privately-held portfolio company, the Adviser applies the same standards and procedures. The Adviser seeks to avoid material conflicts of interest between its own interests on the one hand, and the interests of the Funds on the other.

It is the general policy of the Adviser to vote or give consent on all matters presented to security holders in any proxy. However, the Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the members of the Adviser’s compliance committee and the costs associated with voting such proxy outweigh the benefits to the Fund or if the circumstances make such an abstention or withholding otherwise advisable and in the best interest of the relevant Fund. In addition to the voting of proxies, the Principals may, in their discretion, meet with members of a company’s management and discuss matters of importance to a Fund and its economic interests.

All conflicts of interest related to proxy voting will be resolved in a manner consistent with the best interests of the relevant Fund. All proxy voting decisions will require mandatory conflicts of interest review by the Chief Compliance Officer or designee in accordance with Proxy Voting Policy, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote the proxy has an interest in how the proxy is voted that may present a conflict of interest. If at any time any Principal becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular proxy voting decisions, he or she should contact the Chief Compliance Officer or a member of the Adviser’s compliance committee.

The Adviser will provide to the Limited Partners, upon request: (a) information pertaining to proxies voted by the Adviser on behalf of the Fund and/or (b) a copy of the Adviser’s proxy voting policies and procedures.

Item 17 - Financial Information

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the Adviser’s financial condition. The Adviser has no financial commitments that impair its ability to meet its contractual or fiduciary commitments to the Funds. The Adviser has not been the subject of a bankruptcy proceeding.