

**Part 2A of Form ADV: Firm Brochure**



**KOHLBERG KRAVIS ROBERTS & CO. L.P.**

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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](http://www.adviserinfo.sec.gov).

## **Item 2**      **Material Changes**

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

- Item 4 – Updated to reflect KKR assets under management as of December 31, 2014, 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, expenses, other compensation, and expenses with respect to Senior Advisors, Industry Advisors, KKR Capstone, RPM and other consultants.
- Item 8 – Updated information and disclosure regarding methods of analysis and investment strategies (including risks).
- Item 10 – Updated information and disclosure regarding the activities of Affiliated Brokers and 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.

### **Item 3 Table of Contents**

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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 approximately \$74.5 billion<sup>1</sup> in assets under management as of December 31, 2014. 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. Such funds also make investments in publicly traded equity and debt securities and other marketable securities and instruments (collectively with any investments in derivative instruments, “**Marketable Securities**”). In addition, KKR manages growth capital investments and investments in real assets, such as infrastructure, energy and real estate. KKR may also manage vehicles that make real estate debt investments, including real estate investment trusts. KKR also sponsors and manages investment vehicles that make co-investments alongside KKR proprietary investments or 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 within KGI publishes commentary on macro-economic trends and related topics and oversees a proprietary portfolio of investments in a variety of instruments and securities.

KKR is affiliated with KKR Credit Advisors (US) LLC,<sup>2</sup> KKR Credit Advisors (Ireland) (formerly Avoca Capital) and its affiliates including KKR Credit Advisors (UK) LLP (formerly Avoca Capital Management LLP).<sup>3</sup> 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, structured and illiquid credit, long/short credit and direct senior loan origination and related investments), special situations investments and other assets held by funds or other accounts managed by KKR Credit Advisors (US) LLC. KKR Credit Advisors (Ireland) 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 leveraged loans and high-yield bonds, credit opportunities, long/short credit, convertible bonds and structured and illiquid credit. Use of the term “KKR Credit” throughout this brochure includes KKR Credit Advisors (US) LLC, KKR Credit Advisors (Ireland), KKR Credit Advisors (UK) LLP and KKR Asset Management Partners LLP collectively.

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 providing customized hedge fund portfolios and hedge fund-of-fund solutions. KKR Prisma also advises clients with respect to direct investments in securities and other financial instruments through certain strategies, including hedged equities and co-investments in public and private market transactions including, but not limited to, mezzanine debt, structured and illiquid credit, private debt and public debt, and pre-IPO equity.

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<sup>1</sup>Represents 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.

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

<sup>3</sup> These name changes occurred on September 30, 2014.

Through the public markets segment of KKR & Co. L.P. (“**KKR & Co.**” or the “**Public Company**”), KKR & Co. acquires stakes in, or seeds, third-party hedge fund managers (the “**Stakes and Seed Business**”).

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.

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, 2014, the Public Company indirectly held approximately 53.5% of the general and limited partnership interests in KKR Management Holdings, KKR Fund Holdings L.P. and KKR International Holdings L.P. (collectively, the “**Group Partnerships**”), which hold the combined business of KKR and its affiliates. As of December 31, 2014, 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 or investment vehicles (such as a real estate investment trust), to which KKR may provide 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 and carried interest allocations 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 and 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, each of KKR, KKR Credit and KKR Prisma has entered into, or 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 KKR 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 KKR 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 KKR Prisma Funds.

## **Management Fees**

Management fees compensate KKR for various services KKR's business professionals provide in managing KKR Funds or Other Clients (such as building a diversified portfolio of investments). 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. For example, for certain KKR Funds, investors in the same fund may pay different management fee rates based on whether they invested in an early or later round of fundraising and the amount of their investment, with earlier or larger investors frequently paying lower management fee rates than other investors. 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. Management fees due from a KKR Fund may also be paid by drawdowns by KKR (or relevant KKR GP) under such KKR Fund's subscription credit facility (which drawdowns are subsequently repaid through capital calls or investment proceeds).

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.

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.

## **Carried Interest Allocations**

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 profits third-party investors earn on their investments in KKR Funds. Carried interest allocations may be subject to preferred return hurdles, catch-up allocations and/or claw-backs, depending, among other things, on the strategy of the relevant KKR Fund.

## Other Compensation

Portfolio companies are charged fees for work on the development of core strategies and for projects to increase their value. These fees are included within “portfolio company-related expenses” (which are described further below) and can be broken down generally into two categories: creditable fees and non-creditable fees. A portion of the creditable fees are generally offset against management fees payable by KKR Funds or Other Clients while non-creditable fees do not reduce management fees.

### *Creditable Fees*

KKR and its affiliates charge monitoring fees and transaction fees to portfolio companies, in each case, which are generally not negotiated on an arm’s length basis. KKR Funds and Other Clients indirectly bear these fees.

KKR or its affiliates receive “monitoring fees” in exchange for providing KKR Fund portfolio companies with management, consulting, financial and other services. Monitoring fee agreements are typically renewed automatically on an annual basis. A portfolio company’s EBITDA (earnings before income, taxes, depreciation and amortization) is generally taken into account in determining the amount of the monitoring fee. Monitoring fees may also be based on a percentage of EBITDA.

On the occurrence of initial public offerings, sales or other change of control events related to the relevant company, KKR (or an affiliate) is typically entitled to all unpaid monitoring fees *plus* any unreimbursed expenses *plus* the net present value of future monitoring fees that would otherwise be payable by the relevant portfolio company (the “**NPV Payment**”). The NPV Payment is based on the net present value of the monitoring fee over a fixed period calculated using a discount rate equal to the yield on U.S. Treasury securities of like maturity based on the dates fee payments would have been due. The fixed period of time used in the net present value calculation will typically be tied to the term of the relevant KKR Fund or portfolio investment or in more recent agreements, a period within that term; however, in certain instances the calculation period has exceeded and in the future may exceed the relevant KKR Fund’s (or investment’s) term.

KKR also receives transaction fees for the work performed by KKR in structuring investments in portfolio companies and with respect to significant transactions or exits for those portfolio companies. Transaction fees are received in connection with the same portfolio company in which payments under a monitoring fee agreement are received. KKR affiliates, such as Affiliated Brokers or KKR Credit, 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.

KKR periodically discloses to investors in specific KKR Funds the amount of monitoring fees, transaction fees and break up fees allocated to KKR Funds in which they have invested. Monitoring fees (including NPV Payments) and transaction fees are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles based on ownership of the relevant portfolio company or investment to which they are charged. The amount of break up fees is 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.

In addition to the fees described above, 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.

#### *Non-Creditable Fees*

In addition to the creditable fees described above, KKR, its affiliates and its technical consultants will also receive “non-creditable” fees from portfolio companies. KKR Funds and Other Clients indirectly bear these fees. Such fees do not offset management fees due from KKR Funds or Other Clients. Examples of non-creditable fees include technical consultant, broker-dealer and certain senior/industry adviser fees.

*KKR Capstone and RPM/Other Technical Consultants* Each of KKR Capstone Americas LLC (collectively with its related parties, “**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 Energy Management LLC (collectively with its related parties, “**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. Each of KKR Capstone and RPM has an exclusive relationship with KKR. Both KKR Capstone and RPM provide advisory services to our portfolio companies that KKR’s investment professionals could not otherwise provide. Other companies provide similar services as KKR Capstone, RPM and other Technical Consultants (defined below), but they are less customized to KKR’s business. In addition, KKR Capstone and RPM are often involved in due diligence in connection with KKR’s investment sourcing. 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, other compensation and expense reimbursement (outside of the U.S., expenses may be determined as a fixed percentage of KKR Capstone’s fee for a specific engagement). 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 consultants (“**Technical Consultants**”) in addition to KKR Capstone and RPM, including, but not limited to, for operational consulting, energy industry consulting and operating services, debt servicing and

property management services in the real estate sector, on terms substantially similar to those described with respect to KKR Capstone and RPM. Fees and compensation received by KKR Capstone and RPM (and other Technical Consultants) are not shared with KKR Funds or Other Clients or offset against management fees payable by KKR Funds or Other Clients. Under the terms of more recent KKR Funds, fees received by KKR Capstone would not be shared with KKR Funds or Other Clients or offset against management fees payable by KKR Funds or Other Clients in the event that KKR Capstone became a subsidiary or an affiliate of KKR.

While KKR does not hold any voting/decision making rights or equity interests in KKR Capstone or RPM (or certain other Technical Consultants), KKR Capstone and RPM (and certain other Technical Consultants 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. For example, KKR has in the past, presently does, and may in the future provide loans to KKR Capstone or RPM (or other Technical Consultants), 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 Consultants) at below market rates, enter into arrangements with KKR Capstone or RPM (or other Technical Consultants) that provide for below market rent, and allow KKR Capstone and RPM (and other Technical Consultants) 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 Consultants). Executives of KKR Capstone have received, and executives of KKR Capstone, RPM and/or other Technical Consultants 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 employees of KKR Capstone and RPM (or other Technical Consultants) are not shared with KKR Funds or Other Clients or offset against management fees payable by KKR Funds or Other Clients.

Please see "Expenses" and "Other" sections below for further information regarding the payment of fees, other compensation and expense reimbursement to KKR Capstone, RPM and other Technical Consultants.

*Affiliated Brokers*      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 or bridge financing to KKR Fund and Other Client portfolio companies. Such financing and underwriting services may also be provided to a third party in which a

KKR Fund or Other Client (or portfolio company) may invest. 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 market rates for the relevant activities, such compensation are generally determined through negotiations with related parties. Transaction-related compensation received by Affiliated Brokers for the foregoing activities is not offset against management fees or otherwise shared with KKR Funds or Other Clients. Affiliated Brokers do not share in any transaction (or monitoring) fees, which are generally allocated among KKR Funds, Other Clients and KKR Associates Vehicles as discussed above.

Please Item 10 for further information regarding Affiliated Brokers.

*Senior Advisors and Industry Advisors* Senior advisors (“**Senior Advisors**”) and industry advisors (“**Industry Advisors**”) are typically senior business leaders who provide advisory and consulting services to KKR, KKR Funds, Other Clients and portfolio companies of KKR Funds or Other Clients. They are consultants rather than employees of KKR and are compensated for services provided to KKR, KKR Funds, Other Clients and KKR Fund portfolio companies. A significant portion of the compensation and reimbursement of expenses paid to Senior Advisor and Industry Advisors are allocated to KKR Funds and Other Clients as expenses, and as a result, these items are described in detail below at “Expenses – Senior Advisors and Industry Advisors.” Senior Advisors and Industry Advisors also receive compensation and expense reimbursement for providing services to portfolio companies, which includes compensation for services on boards of directors, compensation for service as interim executives and consulting related compensation, which involves both fixed and incentive compensation. Accordingly, KKR Funds and Other Clients indirectly bear the cost of such compensation and expense reimbursement.

Compensation and expense reimbursement received by Senior Advisors and Industry Advisors do not offset management fees payable by KKR Funds or Other Clients.

Please see “Expenses” section below for further information regarding allocation to KKR Funds and Other Clients of compensation and other payments received by Senior Advisors and Industry Advisors.

## **Expenses**

*“Fund Organizational and Operational Expenses,” “Sourcing and Diligence Expenses” and “Portfolio Company-Related Expenses”*

Three general categories of expenses are allocated to and among KKR Funds, Other Clients, KKR Associates Vehicles, co-investment vehicles and certain KKR proprietary entities. These categories are discussed below under “Fund Organizational and Operational Expenses,” “Sourcing and Diligence Expenses” and “Portfolio Company-Related Expenses.”

*Fund Organizational and Operational Expenses* These are expenses that are related to the organization and operation of KKR Funds or Other Clients that are not directly related to sourcing investments or to any particular portfolio company. Example of organizational expenses are legal, accounting, and filing expenses incurred in connection with organizing and establishing any KKR Fund and the related KKR GP, and the marketing and offering of interests in such 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. 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 from such vehicles. In addition, organizational expenses of a feeder fund investing in any KKR Fund may be borne by such KKR Fund.

Examples of operational expenses that fall within this category are professional fees directly attributable to a specific KKR Fund, such as legal fees and audit fees, out of pocket costs related to preparation of investor reports, insurance premiums and fees, litigations and other disputes, fund borrowings, indemnification obligations, expenses relating to legal and regulatory compliance, expenses incurred in connection with the preparation of financial statements, tax returns, K-1s, administration of assets, financial planning and treasury activities, technology and other administrative support therefor, general and administrative costs (including, salary, bonus, benefits and an allocated portion of overhead of certain Employees), compensation and expenses of Senior Advisors and Industry Advisors, fees, other compensation and expenses of KKR Capstone, RPM and other Technical Consultants, principal, interest on and fees and expenses arising out of all fund borrowings, certain travel expenses and the costs of advisory committee meetings and the annual investors conference for the relevant KKR Fund. Fund organizational and operational expenses are allocated to the relevant KKR Funds or Other Clients.

*Sourcing and Diligence Expenses* These are expenses that relate more generally to investment sourcing and diligence for a particular investment strategy. The largest category of sourcing and diligence expenses are those expenses incurred with respect to the pursuit of particular investments that are never actually consummated. Examples of such “broken deal” expenses include fees and expenses of any legal, financial, accounting, consulting or other advisors or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated, any travel and accommodation expenses, and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions). Other sourcing and diligence expenses include certain organizational expenses (for example, those related to the establishment of a multi-investment platform for a strategy), legal, accounting and other professional fees and expenses, travel costs, fees and expenses of consultants (including Senior Advisors and Industry Advisors, KKR Capstone and RPM and other Technical Consultants) and costs and expenses of research and technology (including costs of specialty data subscription and license-based services and risk analysis software). 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 proportion of such expenses allocated to any relevant KKR Fund, Other Client, KKR Associates Vehicles or KKR proprietary entity may vary from period to period, but as a general matter, the significant majority of such expenses will typically be borne by the primary investment vehicle for such strategy, which is generally the KKR Fund that has a minimum investment right in relation to the relevant strategy. Sourcing and diligence expenses may be paid to KKR affiliates, including Affiliated Brokers.

*Portfolio Company-Related 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, directors’ fees, KKR Capstone and RPM (and other Technical Consultant) fees, other compensation and expenses for services provided to or on behalf of a portfolio company, directors’ fees, consulting fees, equity grants and other compensation of Senior Advisors or Industry Advisors (including Phantom Equity (defined below)) for services provided to a portfolio company, and fees and expenses of any other consultants,

counsel, accountants or other experts for services provided to a KKR Fund portfolio company. Other examples include: (i) brokerage commissions, clearing and settlement charges, investment banking fees and expenses, bank charges, placement, syndication and solicitation fees, arranger fees, sales commissions, 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) and other investment, execution, closing and administrative fees, costs and expenses of portfolio companies, (ii) costs (including administrative and filing fees) of maintaining the holding structure for portfolio investments, (iii) portfolio and risk management expenses and (iv) expenses related to industry conferences directly related to a particular portfolio company. Portfolio company-related expenses may be paid to KKR affiliates, including Affiliated Brokers.

All or a portion of the type of expenses described in the above categories (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 relevant KKR Fund or by reducing the amount of monitoring fees, transaction fees and break up fees allocated to such KKR Fund that would otherwise reduce management fees.

#### *Senior Advisors and Industry Advisors*

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,” (iv) grants of equity in one or more of the parent entities of KKR (including equity awards from the Public Company) and (v) an opportunity to invest in KKR Funds or specific transactions on a no-fee/no-carry basis. 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. Senior Advisors and Industry Advisors also receive consulting related compensation in the form of fixed and incentive 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 Senior Advisor and Industry Advisor compensation 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 sourcing and diligence expenses (see description above of such expenses)); (ii) activities related to monitoring or working with KKR Fund portfolio companies (which are allocated as portfolio company-related expenses (see description above of such expenses)); and (iii) KKR related activities, such as meeting with investors 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 (described below) grant is borne indirectly by the KKR Funds and Other Clients that participated in the relevant portfolio company.

In addition, 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 or interim executives to KKR Fund portfolio companies and may receive directors’ fees, consulting fees, equity grants and other compensation in connection therewith from KKR Fund portfolio companies. Such directors’ fees or other compensation earned by Senior Advisors and Industry Advisors do not offset management fees payable by KKR Funds or Other Clients. 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.

#### *Expense Allocation*

KKR allocates expenses among KKR Funds, Other Clients and KKR based on the nature of the expenses.

“Fund Organizational and Operational Expenses” generally are charged to the KKR Fund or Other Client to which they relate.

“Portfolio Company-Related Expenses” are charged to the portfolio company to which they relate, or, if not, are generally allocated based on ownership percentages of the relevant portfolio company or investment held by the relevant KKR Funds, Other Clients and KKR Associates Vehicles. 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. In addition, 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, other compensation and expenses payable to KKR Capstone, RPM or other Technical Consultants and monitoring, transaction and break up 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.

“Sourcing and Diligence Expenses” are generally attributable to multiple KKR Funds and Other Clients that invest in a given strategy. KKR has therefore developed a waterfall methodology that seeks to allocate sourcing and diligence expenses among relevant KKR Funds, Other Clients, KKR proprietary entities and KKR Associates Vehicles. The waterfall methodology assists KKR in the allocation of such expenses, where appropriate, based upon a number of relevant factors and not on any single factor. These factors include, for example, committed or available capital, the amount of capital historically invested or remaining invested in similar investments, and the percentage of similar investments in which a particular KKR Fund or other KKR Funds have historically participated. The expense allocation waterfall generally follows four distinct steps. First, a portion of the expenses is allocated to KKR Associates Vehicles, based on the total equity invested within the applicable business line and geography over the prior two

years divided by the total equity invested within such business line and geography over the prior two years. Second, a portion of the remaining expenses is allocated to the KKR Fund that is the primary private equity fund for that strategy based on the number of deals completed below its minimum investment amount over the prior two years, divided by the total number of deals completed over the prior two years. Third, a portion of the remaining expenses is allocated to KKR Funds that are co-investment vehicles that do not commit capital for investment, based on the total equity invested by these discretionary co-investors within the business line and geography over the last two years divided by total equity invested with the business line and geography over the last two years. Finally, the remaining expenses are allocated to other KKR Funds, based on committed capital and in the proportion that each such limited partner's capital commitment bears to the total capital commitments of all such limited partners. The significant majority of these expenses is typically borne by the KKR Fund that is the primary private equity fund for that strategy.

## **Other**

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 Consultants) 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.

As discussed above under "Other Compensation" and "Expenses," KKR Funds and Other Clients, directly or through portfolio companies, holding companies and other entities in which they invest, bear the cost of services provided by KKR, its affiliates and its technical consultants. 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, for example, KKR Capstone, RPM or other Technical Consultants or Affiliated Brokers. 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 Consultants) or Affiliated Brokers 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 Consultants) or Affiliated Brokers 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 sourcing and diligence 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. Other Technical Consultants may also be reimbursed for attending similar investor 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 Carried Interest Allocations and Side-By-Side Management**

As noted in Item 5 above, KKR (including the KKR GPs) generally receives carried interest allocations and fees from KKR Funds or Other Clients. KKR may have an incentive to favor, or take increased investment risk with respect to KKR Funds from which it receives such allocation or fees over KKR Funds or Other Clients 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 incentive allocations over KKR Funds or Other Clients from which lower or no carried interest allocation is received (and notwithstanding that such accounts may not give rise to carried interest allocations, KKR in any event may have an incentive to favor a certain KKR proprietary entity over any other KKR Fund or Other Client). 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 alongside 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 alongside 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, expert networks, 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. Additionally, in connection with the evaluation of potential investment opportunities, KKR may engage with individuals retained by expert networks who are under an obligation to not disclose confidential information. KKR seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented procedures to mitigate the risk that the use of expert networks could result in receipt by investment professionals of confidential information. However, no assurance can be made that such individuals do not share confidential information. In such cases, KKR may become restricted from pursuing an investment opportunity, which could adversely impact a KKR Fund or Other Client.

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.

*Valuations* As most KKR Fund and Other Client investments are highly illiquid, there are no readily ascertainable market prices for such investments. For these investments, the fair value of the investment represents the value, as determined by KKR in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for private equity investments, KKR typically uses a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case, incorporates significant assumptions and judgments. Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in a KKR Fund's net asset value, or NAV, do not necessarily reflect the prices that would actually be obtained by KKR on behalf of such fund when such investments are realized. For example there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund.

*Due Diligence* Before making investments, KKR conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and typically 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, KKR typically evaluates a number of business, financial, tax, accounting and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are usually involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, KKR relies on resources available to KKR, including information provided by the target of the investment and, in some circumstances,

third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several KKR Funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, KKR Funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as “Transparency International” and “Corruption Perceptions Index”) such as China, India, Indonesia, and countries in Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations. Accordingly, KKR cannot be certain that the due diligence investigation that it will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. KKR also cannot be certain that its due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections KKR used when evaluating that investment.

*Complex Investments* KKR often pursues complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that might deter other investment managers. KKR’s tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny, the application of complex tax laws or a greater risk of contingent liabilities. KKR Fund transactions involve complex tax structures that are costly to establish, monitor and maintain, and as KKR pursues a larger number of transactions across multiple assets classes and in multiple jurisdictions, such costs will increase and the risk that a tax matter is overlooked or inadequately or inconsistently addressed will increase. Consequently, KKR may fail to achieve the desired tax benefit or otherwise decrease the returns of our investments. Changes in law and regulation and in the enforcement of existing law and regulation, such as antitrust laws and tax laws, also add complexity and risk to KKR’s investment strategies. Further, KKR Funds may acquire an investment that is subject to contingent liabilities, which could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for KKR Funds. In addition, in connection with the disposition of an investment in a portfolio company, a KKR Fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A KKR Fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a KKR Fund, even after the disposition of an investment. Any of these risks could harm the performance of KKR Funds.

*Investment Ranking* In many cases, the portfolio companies in which KKR Funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to a KKR Fund’s investment. By their terms, such instruments may provide that their holders are entitled to receive payments of distributions, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to the KKR Fund’s investment would typically be entitled to receive payment in full before distributions could be

made in respect of its investment. Dividends and distributions paid to KKR Funds and Other Clients, as well as fees such as transaction fees and monitoring fees which are creditable in part against management fees payable by KKR Funds or Other Clients, may be subject to clawback under various legal theories in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy. In addition, debt investments made by KKR Funds in portfolio companies may be equitably subordinated to the debt investments made by third parties in KKR Fund portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with the KKR Fund's investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following insolvency, the ability of KKR Funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

*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 investment 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.

In addition, economic sanction laws in the United States and other jurisdictions may prohibit KKR, KKR Funds and Other Clients from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of Treasury's Office of Foreign Assets Control administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to certain foreign countries, territories, entities and individuals. The U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to, and restrict the activities of, KKR, KKR Funds and Other Clients (and their respective portfolio companies). KKR seeks to comply with economic and trade sanctions laws and regulations, the FCPA, and other anti-corruption, anti-bribery and anti-boycott laws and regulations to which it is subject. As such, KKR Fund and Other Clients may be adversely affected because of their inability to participate in transactions that violate such laws or regulations. Such laws and regulation may also make it difficult in certain circumstances for KKR Funds or Other Clients to act successfully on investment opportunities and for portfolio companies to obtain or retain business. In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA and economic and trade sanctions laws and regulations. The United Kingdom and other countries also significantly expanded the reach of their anti-bribery laws. While KKR has implemented policies and procedures designed to ensure compliance with such laws and regulations, such policies and procedures may not be effective in all circumstances to prevent violations. Any determination that KKR, any KKR Fund, any Other Client or any of their respective portfolio companies has violated any such laws or regulations could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and general loss of investor confidence, any one of which could adversely impact KKR's business prospects or financial position, in addition to any KKR Fund's or Other Client's ability to achieve its investment objective or conduct its operations.

*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.

*Recycling; Reinvestment* Under certain circumstances, proceeds distributable (or previously distributed) to the investors in a KKR Fund may be retained and reinvested (or recalled for reinvestment) by the relevant KKR GP or used (or recalled for use) by such KKR GP. Accordingly, due to the recycling of capital commitments, an investor may, in certain circumstances, be required to fund an aggregate amount in excess of its capital commitment during the term of such KKR Fund. Additionally, to the extent such recalled or retained amounts are reinvested in investments, a KKR Fund will remain subject to investment and other risks associated with such investments, and for KKR Funds whose management fees are calculated based on invested capital, the amount of management fees may be higher than if no reinvestment had occurred.

*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.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are therefore required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more other private equity firms serve together or collectively as equity sponsors. While KKR has sought to limit where possible the amount of consortium transactions in which KKR Funds have been involved, KKR Funds have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by KKR over the investment because governance rights must be shared with the other consortium investors. Accordingly, KKR may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit. Any of these factors could increase the risk that larger investments could be less successful. The consequences to KKR Funds of an unsuccessful larger investment could be more severe given the size of the investment.

*Public Investments* A KKR Fund or Other Client may acquire (directly or indirectly) minority positions in publicly traded equity or debt securities of an issuer with (or without) the intention of accumulating a sufficient position to enable such KKR Fund or Other Client to influence the activities of such issuer. While the KKR Fund or Other Client would typically seek to achieve such position through open market purchases, registered tender offers, negotiated transactions or private placements, it may be unable to accumulate a sufficiently large position in a target company to execute the investment strategy formulated in respect of such company. In such circumstances and more generally, the KKR Fund or Other Client may dispose of its position in the target company within a short time of acquiring it. There can be no assurance that the price at which the KKR Fund or Other Client can sell such securities will not have declined since the time of acquisition; this may be exacerbated by the fact that securities of the target company may be thinly-traded and that the position of the KKR Fund or Other Client may nevertheless have been substantial and the sale may depress the market price for such securities.

*Material, Non-Public Information* KKR investment professionals may acquire confidential or material, non-public information concerning an entity in which KKR Funds or Other Clients have invested, or propose to invest, and the possession of such information may limit the ability of KKR to buy or sell particular securities of such entity on behalf of KKR Funds or Other Clients, thereby limiting the investment opportunities or exit strategies available to KKR Fund or Other Clients. In addition, holdings in the securities of an issuer by KKR or its affiliates may affect the ability of KKR Funds or Other Clients to make certain acquisitions of, or enter into certain transactions with, such issuer.

*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 these assets may therefore be an important element to consider in assessing the interest risk of the 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, including through vehicles holding debt issued by a KKR Fund or Other Client portfolio company which vehicles are managed by KKR Credit (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 agencies or 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 invests, 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.

*Ongoing Regulatory Actions* Ongoing regulatory reforms and actions (e.g. Basel III and the Interagency Guidance on Leveraged Lending) continue to have a material impact on KKR's private equity investment business. Reforms and actions with respect to the banking industry may result in KKR Funds being unable to obtain committed debt financing for potential acquisitions or only obtaining debt at an increased interest rate or on unfavorable terms. KKR Funds may therefore have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case. In addition, any failure by lenders to provide previously committed financing can also expose KKR Funds to potential claims by sellers of businesses which KKR Funds may have contracted to purchase. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect KKR Funds and portfolio companies. When existing portfolio companies reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against KKR or KKR Funds.

In addition, the European Union Directive on Alternative Investment Fund Managers (the "Directive") imposes new regulatory obligations and restrictions on authorized alternative investment fund managers. The Directive may (i) impose disclosure obligations and restrictions on distributions by EU portfolio companies of the funds we manage and (ii) potentially require changes in KKR's compensation structures for key personnel, thereby potentially affecting KKR's ability to recruit and retain these personnel. Because many of the provisions of the Directive require the adoption of delegated acts and regulatory technical standards before becoming fully effective, it is difficult to predict the precise impact of the Directive on KKR Funds. The ultimate effect of these reforms and actions cannot be adequately predicted, but could adversely impact the management, investment strategies and performance of KKR Funds or Other Clients.

#### *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.

*Documentation Risk* Due to the complex series of legal documents and contracts that are typically involved in infrastructure investments, such investments have a potentially greater risk of dispute over interpretation or enforceability of particular terms compared to other equity investments.

#### *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 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 Consultants* KKR Funds or Other Clients expect to engage, directly or indirectly through entities in which it invests, one or more Technical Consultants 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 Consultants). 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 Consultants 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 Consultants 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 Investments*

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 and regulated by the U.K. Financial Conduct Authority to conduct broker-dealer activities in the United Kingdom, with KKR Capital Markets Japan Limited, which is a certified Type II Financial Instruments Business Operator (broker-dealer) licensed by the Japanese Financial Services Agency, 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 their 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 market rates 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 investee companies of KKR as described in Item 4) and receive 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.

Transactions involving a KKR Fund or Other Client and an Affiliated Broker are reported periodically 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 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, which is a separately registered as an investment adviser under the Advisers Act. KKR is also affiliated with KKR Credit Advisors (Ireland), which is regulated by the Central Bank of Ireland, and KKR Credit Advisors (UK) LLP, which is regulated by the United Kingdom Financial Conduct Authority. 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 and advised by KKR Credit (“**KKR Credit Funds**”). 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 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 & Co.’s public markets segment, which includes the investment 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 or Industry Advisors of KKR. Certain KKR Prisma employees may also participate in KKR Associates Vehicles. KKR may also, from time to time, act as a sub-adviser in respect of capital allocated within investment vehicles and other accounts managed and advised by KKR Prisma (“**KKR Prisma Funds**”). KKR Prisma Funds invest and may invest in a broad range of hedge funds and other funds, vehicles and accounts (“**Prisma Portfolio Funds**”). See Item 11 for a discussion of the relationship of KKR, KKR Funds, Other Clients and, KKR Prisma Funds and Prisma Portfolio Funds.

#### *KKR Alternative Investment Management*

KKR is affiliated with KKR Alternative Investment Management (“KKR AIM”), which is regulated by the Central Bank of Ireland and is an authorized EU alternative investment manager. KKR may enter into delegation agreements with KKR AIM under which KKR will provide certain portfolio management services to KKR AIM in connection with funds managed by KKR AIM.

#### *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 and KKR Prisma Funds. KKR also primarily serves as investment adviser to KKR Funds that are pooled investment vehicles. In addition, its affiliates, KKR Credit and KKR Prisma also serve as investment advisers of investment vehicles and accounts (i.e., KKR Credit Funds and KKR 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 KKR 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 KKR 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 and other affiliates and the policies and procedures KKR has adopted to address these conflicts.

Please also refer to Item 11 for a discussion of the Stakes and Seed Business.

## **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 investment holdings. Certain of these investments are maintained with third-party investment managers who sponsor investment vehicles that may 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 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 relating to personal private investments.

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 KKR Funds, Other Clients or 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 warehoused 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 (the cost of which would be borne by the KKR Fund) or be calculated in accordance with a formula provided for in the governing documents of the KKR Fund and (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.



### *Stakes and Seed Business*

As part of the Stakes and Seeds Business, an affiliate of KKR will acquire a non-controlling interest in a third-party hedge fund manager or other type of manager (“**Stakes and Seed Managers**” and funds or other vehicles sponsored or advised by such managers are referred to herein collectively as “**Stakes and Seeds Funds**”). For example, affiliates of KKR have acquired a 24.9% interest in each of Nephila Capital Ltd. and BlackGold Capital Management L.P. No Stakes and Seed Fund is an advisory client of KKR. KKR may, however, be deemed to have a financial interest in transactions between any Stakes and Seeds Fund, on the one hand, and a KKR Fund or Other Client on the other. Such transactions (which do not involve securities or KKR advisory clients on both sides of the transaction) are neither principal transactions nor agency cross transactions. However, because of a KKR affiliate’s financial interest in Stakes and Seed Managers, an affiliate of KKR will receive additional compensation related to such transactions. Such additional compensation will not be shared with KKR Funds, Other Clients or 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.

### *Agency Cross Transactions*

Agency cross transactions 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 transaction 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) may, or may cause a KKR Fund or Other Client to, enter into real estate related transactions 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. None of the foregoing transactions, which generally do not involve securities, are 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 (i) portfolio companies and other non-controlled entities in or through which KKR Funds or Other Clients invest, (ii) KKR Funds, (iii) Other Clients and (iv) 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.

Portfolio companies of KKR proprietary investments, KKR Funds or Other Clients may be counterparties to, or participants in, agreements, transactions or other arrangements with the portfolio companies of a separate KKR Fund or Other Client (for example a portfolio company of a KKR proprietary investment or 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 KKR proprietary investments, KKR Funds or Other Clients may indirectly benefit KKR, the relevant KKR Fund or Other Client as an investor in such companies or may adversely impact the KKR Fund or Other Client portfolio companies with which they do business. The interest of KKR, any KKR Fund or Other Client in maximizing its return on such investments may give rise to a conflict of interest in particular, but not limited to, where KKR, the KKR Fund or Other Client has the ability through its investments to influence the activities of such companies or encourages portfolio companies of a KKR proprietary investment, KKR Fund or Other Client to transact therewith.

Such portfolio companies may also compete with a KKR Fund's or Other Client's investments. For example, KKR or a 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, KKR, any KKR Fund or Other Client may 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 (*e.g.* RE Platforms, as defined further below) 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. 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. Transactions between companies in which KKR acquires such proprietary interests, on the one hand, and KKR Funds or Other Clients or their respective portfolio companies, on the other, are generally not expected to constitute the types of transactions that will entitle such companies to fees or other compensation that will reduce management fees payable by the KKR Fund or Other Client. 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.

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, RPM, Senior Advisors, Industry Advisors and other consultants 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 are 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 carried interest allocations or certain expenses). Employees and other persons associated with KKR as well as KKR proprietary entities also are permitted to co-invest in "opportunistic" investments by the Balance Sheet (described below), which may also be made alongside KKR Funds or Other Clients. Please see "KKR Purchases/Sales of Securities Recommended to KKR Funds and Other Clients -- *Proprietary Investments*" and "Allocations of Investment Opportunities – *Balance Sheet Investments*" for further information regarding such investments.

Certain KKR proprietary entities also make capital contributions to KKR Funds. The Public Company indirectly holds limited partnership interests in a number of KKR Funds, which it has transferred or sold and may in the future 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, KKR Credit Funds, KKR Prisma or KKR Prisma 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 and KKR Prisma 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 and KKR Prisma 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 or KKR Prisma on the one hand and KKR Funds or Other Clients on the other hand. See the allocation discussion below for further information on how such conflicts are addressed.

Certain KKR Credit Funds, KKR Prisma Funds, KKR Funds (including KKR Associates Vehicles) and other KKR proprietary entities), 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, KKR Prisma 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 KKR Prisma 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 (or significantly influence) 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 or KKR Prisma 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, KKR Prisma 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. However, no assurance can be made that any such conflict of interest will be resolved in favor of the KKR Funds or Other Clients.

To the extent KKR Funds, Other Clients, KKR Credit Funds (including dedicated single or multiple asset co-investment vehicles) or KKR Prisma Funds 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 Stakes and Seed Funds and Prisma Portfolio Funds**

Stakes and Seeds Funds and Prisma Portfolio Funds may pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. Any Stakes and Seed Fund or Prisma Portfolio Fund may invest in securities or other financial instruments of companies (or issuers) in which KKR Funds or Other Clients may also have an interest. Stakes and Seeds Funds or Prisma Portfolio Funds may also invest in competitors of KKR Funds, Other Clients or their respective portfolio companies. In addition, KKR Prisma Funds may invest in any Stakes and Seed Fund and participate in co-investment opportunities that are sourced or managed by a Stakes and Seed Manager. Actions taken by any Stakes and Seed Manager or 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 respective Stakes and Seed Manager or Prisma Portfolio Fund manager and will be outside the control and oversight of KKR Prisma or KKR.

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

#### *Co-Investment Vehicles*

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, Industry 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 fees or receive carried interest allocations 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. KKR may also bear any allocable share of expenses on behalf of these vehicles.

#### *Proprietary Investments*

KKR & Co. uses its balance sheet (the “**Balance Sheet**”) as a significant source of capital to further grow and expand its business, increase its participation in existing businesses and further align its interests with those of investors in KKR Funds and other stakeholders. The Balance Sheet includes limited partnership interests in certain KKR Funds, co-investments in certain portfolio companies of KKR Funds and energy and real estate assets acquired in connection with the Public Company’s acquisition of KKR Financial Holdings LLC (“**KFN**”) in April 2014. The Balance Sheet also holds other assets used in the development

of KKR & Co.'s business, including seed capital for the purpose of developing, evaluating and testing potential investment strategies, products or new strategies ("**Seed Investments**").

KKR has adopted policies and procedures (the "**Balance Sheet Guidelines**") to mitigate any potential conflicts of interest between the investment activities of the Balance Sheet on the one hand and any KKR Fund (or Other Client) on the other. Under the Balance Sheet Guidelines, the Balance Sheet's uses are categorized generally into three categories: (1) strategic, (2) opportunistic and (3) operational funding.

Strategic uses principally focus on acquiring or owning assets in the financial services industry to enhance KKR & Co.'s businesses or earnings. Examples of such uses include strategic acquisitions, such as KKR Prisma and KFN, general partner commitments to KKR Funds, warehoused investments for KKR Funds and investments through the Stakes and Seed Business. For the sake of clarity, the Stakes and Seed Business is separate and distinct from Seed Investments. The Stakes and Seed Business involves strategic, non-controlling investments in third-party managers (and their funds) while Seed Investments are opportunistic investments managed by KKR (or its affiliates). If a potential investment is determined to be strategic in nature, it will not be allocated to KKR Funds or Other Clients.

Opportunistic uses are investments principally made to generate an investment return. Examples of such investments include co-investments, certain investment activities of KFN and certain Seed Investments, growth equity and real estate investments. KKR seeks to address potential conflicts of interest arising from opportunistic investments by offering, where KKR believes it is appropriate, such investments to relevant KKR Funds or Other Clients.

With respect to co-investments, KKR proprietary entities from time to time co-invest in other KKR Funds' or Other Clients' investments in portfolio companies. Co-investments by KKR proprietary entities result in less availability of discretionary investment opportunities for third parties. KKR does not generally charge management 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.

KKR may also make opportunistic investments 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. Moreover, KKR may 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. The foregoing proprietary entities, including Seed Investments and KFN 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, 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.

Lastly, the Balance Sheet's operational funding uses typically consist of activities to facilitate normal course transactions in support of the KKR & Co.'s businesses. Examples of such activities include capital support for the activities of Affiliated Brokers and treasury and liquidity management investments. Operational funding activities are not offered to KKR Funds or Other Clients for investment allocation purposes.

### **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 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. Such policies and procedures are further supported by the Balance Sheet Guidelines, which as described above, address proprietary investment activity that occurs alongside KKR Funds and Other Clients. Please also see "Allocation of Investment Opportunities – Balance Sheet Investments and Co-Investments" sections below for further information regarding KKR's allocation procedures with respect to certain proprietary investments.

Allocations of investment opportunities are reported to KKR's Global Conflicts Committee. KKR's Global Conflicts Committee is responsible for reviewing 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 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, the conflicts inherent in making such allocation decisions may not always be resolved to the advantage of the KKR Funds and Other Clients.

### **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 KKR's principal investment (i.e. Balance Sheet) 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 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 KKR Funds or Other Clients 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 among 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 over time.

From time to time, KKR Funds and Other Clients may be given an opportunity to purchase securities in initial public offerings and such offerings are expected to be over-subscribed. Such “new issues” often trade at a premium in the secondary market, which may provide the potential of an immediate profit. As a result, all investments in new issues subject to FINRA Rules 5130 and 5131 will be allocated pro rata only to those KKR Funds, Other Clients or KKR proprietary entities qualified to invest in such new issues. The determination of the eligibility of a KKR Fund, Other Client or KKR proprietary entity to invest in new issues will be made by KKR’s legal and compliance department through, among other things, questionnaires contained in subscription agreements or other documentation or confirmation obtained from investors therein designed to elicit specific information regarding investor eligibility.

### *Balance Sheet Investments*

Investments by the Balance Sheet are described above under “KKR Purchases/Sales of Securities Recommended to KKR Funds and Other Clients – Proprietary Investments.” KKR believes that the Balance Sheet’s strategic investments and operational funding activities are appropriate solely for proprietary investment activities and therefore not within the investment focus of any KKR Fund or Other Client. As such, strategic investments and operational funding activities are not typically allocated to KKR Funds or Other Clients. The Balance Sheet’s opportunistic investments, however, may also be allocated to relevant KKR Funds and Other Clients (see discussion below regarding examples of such investments).

One example of opportunistic investments made by the Balance Sheet is Seed Investments. In order to maintain the integrity of the investment strategy and track record of any Seed Investment, Seed Investments are not considered proprietary entities for purposes of KKR’s allocation policy, and are instead allocated investments consistent with KKR client allocations. Accordingly, a KKR Fund or Other Client may receive a lesser allocation of an investment as a result of a Seed Investment (and more generally, any opportunistic investment by the Balance Sheet).

A second example of opportunistic investments made by the Balance Sheet is co-investments in portfolio companies of KKR Funds alongside other KKR Funds, Employees and third parties. Please see “Co-Investments” section below for further information regarding such co-investments.

Other examples of opportunistic investments made by the Balance Sheet involve investment opportunities that are not within an investment mandate of a KKR Fund or Other Client (e.g. certain growth equity investments) or that have been declined by the investment committee of a relevant KKR Fund. Such investments by their nature would not typically be allocated to KKR Funds or Other Clients. However, such investments would be offered for co-investment alongside the Balance Sheet to certain KKR Funds that are Separately Managed Accounts whose investment mandate includes investments made alongside the Balance Sheet. The amount allocated to any such KKR Fund would depend on various factors, including suitability of investment, available capital, concentration limits and other investment restrictions, the investment’s risk profile and to the extent applicable, consent of investor(s) in such KKR Fund.

### *Co-Investments*

As indicated above, certain KKR Funds and KKR Credit Funds that facilitate co-investments alongside other KKR Funds, KKR proprietary entities and KKR Associates Vehicles (which are not subject to management fees and carried interest allocations) 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.

#### *Real Estate Platform Investments*

Affiliates of KKR have invested in (and may invest in additional) real estate asset management platforms (“**RE Platforms**”). Each RE Platform is a partnership between an affiliate of KKR and a third-party management team focused on real estate investment activities and day-to-day management of such RE Platform. The KKR affiliate, with the management team and other investors, may seek to recapitalize an existing portfolio (if any) and/or deploy capital to scale the RE Platform by acquiring real estate assets. A RE Platform’s investment strategy may overlap with an investment strategy of a KKR Fund or Other Client. In addition, KKR real estate investment professionals who participate in the investment decisions made on behalf of a KKR Fund or Other Client may also participate in the investment decisions made by a RE Platform. To the extent permitted by the terms of the RE Platform, KKR will seek to allocate overlapping investment opportunities to a KKR Fund or Other Client in a manner that it deems appropriate, but conflicts inherent in making such allocation decisions may not always be resolved to the advantage of such KKR Fund or Other Client.

#### **Other Conflicts of Interest**

##### *Side Letters, Strategic Partnerships and Other Arrangements*

A KKR Fund or KKR GP may enter into side letters or other similar agreements with particular investors in such KKR Fund without the approval or vote of any other investor, which would have the effect of establishing rights under, altering or supplementing the terms of such KKR Fund’s governing documents with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Any rights established or any terms of the governing documents altered or supplemented, in side letters or other similar agreements with investors will govern solely with respect to such investors, notwithstanding any other provisions of the governing documents. Such rights or terms in any such side letters or other similar agreements may include, without limitation: (i) excuse rights applicable to particular investments (which may increase the percentage interest of other investors in and contribution obligations of other Limited Partners with respect to, such investments); (ii) reporting obligations of the KKR GP; (iii) waiver of certain confidentiality obligations; (iv) consent of the KKR GP to certain transfers by such investors or (v) rights or terms necessary in light of particular legal, tax, regulatory or public policy characteristics of an investor.

KKR and its affiliates may from time to time enter into agreements with investors who are limited partners in a KKR Fund, which agreements are entered into with such investors other than in their respective capacities as limited partners of such fund. Such agreements do not constitute side letters since they do not establish rights under or alter or supplement the terms of the KKR Fund’s governing documents and therefore will not be disclosed or offered to other limited partners. Such agreements may include, without limitation, strategic partnerships with investors, arrangements regarding investments with KKR in one or more investment strategies, which may include co-investments alongside the relevant KKR Fund and other KKR Funds, and similar arrangements established by KKR and its affiliates with investors other than in their respective capacities as limited partners of the relevant KKR Fund.

KKR 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 platform of products, investment ideas and asset classes (including the investment strategy of an existing KKR Fund). Such arrangements may include KKR granting certain preferential terms to such investors, including blended fee and carried interest rates that are lower than those applicable to a KKR Fund when applied to the entire strategic partnership. Where such investors participate in a KKR Fund through dedicated investment vehicles or accounts as part of such arrangements, such vehicles and accounts may be granted terms, including management fees or carried interest, that are more favorable than those applicable to other investors. Where management fees and carried interest are applicable at the level of such vehicles and accounts, such terms may include a waiver of management fees and carried interest on their investment in a KKR Fund.

KKR may also establish other KKR Funds that pursue similar investments and strategies to the relevant KKR Fund and may permit such other KKR Funds and any other investor to co-invest in investments made by such relevant KKR Fund. The terms applicable to such other KKR Funds and co-investors, including management fees or carried interest, may be more favorable than those applicable to the relevant KKR Fund (and may include no fees and/or carried interest). The foregoing preferential terms are not subject to the "most favored nation" provisions of any relevant KKR Fund and are therefore unavailable to investors in such KKR Fund that have not entered into strategic partnerships or other comparable arrangements with KKR.

#### *Common Advisors*

KKR Funds, Other Clients, certain co-investment vehicles, KKR Associates Vehicles, KKR Credit Funds and KKR 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 KKR 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. Legal counsel and other advisors who advise KKR Funds and Other Clients also routinely represent KKR and KKR affiliates in various matters. 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 KKR 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 or investment committees. Each investment committee generally consists of the co-CEOs of KKR & Co. and regional business heads or other senior investment professionals. 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 relevant 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 Team or the appropriate portfolio management committee. Each portfolio management committee meets periodically, designating a number of Investment Teams on a rotating basis for presentation of their respective portfolio companies. The composition of any portfolio management committee may change from time to time.

Employees may also provide strategic oversight of the investments of certain KKR Funds (including Separately Managed Accounts) and Other Clients outside of an investment committee structure in accordance with the governing documents of such KKR Funds or Other Clients.

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 (and other KKR affiliates), KKR Capstone, RPM and other Technical Consultants receive economic benefits from KKR Funds, Other Clients and portfolio companies of KKR Funds and Other Clients.

Please see response to Item 5 with respect to monitoring fees (including NPV Payments), transaction fees (including financial advisory fees), break up fees and other compensation and expense reimbursement.

Please see response to Item 5 with respect to directors' fees for Employees, KKR Capstone or RPM employees and Senior Advisors (or Industry Advisors) serving on boards of portfolio companies.

Please see response to Item 5 with respect to compensation received by Affiliated Brokers.

Please see response to Item 5 with respect to KKR Funds, Other Clients and portfolio companies of KKR Funds or Other Clients and fees and/or servicing payments payable to KKR, its affiliates, KKR Capstone or RPM (or other Technical Consultants).

### **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 generally have custody of the assets of Other Clients.

### **Item 16 Investment Discretion**

KKR, through the KKR GPs, generally 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 limited investment restrictions and requirements as to diversification of fund investments, either by geographic region or asset type.

For Other Clients and certain Separately Managed Accounts, KKR would negotiate the level of investment discretion with the client at the outset of the advisory relationship.

In addition to the conflicts of interest described under Item 11, as a general matter, KKR may exercise its investment discretion to give advice or take action with respect to the investments held by, and transactions of KKR Funds, Other Clients or KKR proprietary entities that may be different from or otherwise inconsistent with the advice given or timing or nature of any action taken with respect to the investments held by, and transactions of, other KKR Funds, Other Clients or KKR proprietary entities. Such different advice and/or inconsistent actions may be due to a variety of reasons, including, without limitation, differences between the investment objectives, programs, strategies and tax treatment of certain KKR Funds, Other Clients or KKR proprietary entities or the regulatory status of other KKR Funds or Other Clients and any related restrictions or obligations imposed on KKR as a fiduciary thereof. Such advice and actions may adversely impact KKR Funds and Other Clients.

#### **Item 17**        **Voting Client Securities**

KKR has adopted policies with respect to voting public equity securities held by KKR Funds or Other Clients (i.e. investments in Marketable Securities). Such voting decisions with respect to client investments 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 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.