

KPS Capital Partners, LP
485 Lexington Avenue, 31st Floor
New York, New York 10017
Part 2A of Form ADV
The Brochure

www.kpsfund.com

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This Brochure provides information about the qualifications and business practices of KPS Capital Partners, LP (“KPS”). If you have any questions about the contents of this brochure, please contact us at (212) 338-5100. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Any reference to KPS as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.

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

Material Changes

There have been no material changes to this Brochure since the last filing, in March 2018.

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Advisory Business

KPS is a limited partnership formed under the laws of the state of Delaware in 2006, but has been doing business through its predecessor and subsidiary entities since 1998. KPS is principally owned by Michael G. Psaros, David P. Shapiro, Raquel V. Palmer and Jay Bernstein (collectively, the “KPS Partners”). KPS is headquartered in New York, New York and also has affiliate offices in Frankfurt, Germany, Amsterdam and Hong Kong.

KPS, through its affiliated management entities, serves as investment manager to private pooled investment vehicles organized and sponsored by KPS and its affiliates (collectively, the “Funds”) to make private equity investments. As of December 31, 2018, KPS and its affiliates, managed \$5.4 billion on a discretionary basis on behalf of the Funds. KPS and its affiliates do not manage assets on a non-discretionary basis.

KPS primarily focuses on making controlling equity investments in manufacturing and industrial companies across a diverse array of industries, including basic materials, branded consumer, healthcare and luxury products, automotive parts, capital equipment and general manufacturing. The special situations that KPS is most interested in include corporate divestitures and carve-outs, restructurings and private sales. KPS will also pursue opportunities involving companies operating in bankruptcy, in default of obligations to creditors, or with a history of recurring operating losses. KPS may create standalone independent companies from assets divested by large corporate parents

or make equity infusions to recapitalize highly leveraged companies. KPS exercises oversight of its investments through representation on the board of directors of its portfolio companies by one or more members of senior management.

The managers and general partners of each of the Funds listed below are controlled and primarily owned by KPS or the KPS Partners. The Funds for which KPS, through its affiliates (as described below), provides management services are as follows:

- ***KPS Special Situations Fund III, LP (“Fund III”)***
Delaware limited partnership
- ***KPS Special Situations Fund III (A), L.P. (“Fund III (A)”)***
Cayman Islands exempted limited partnership
- ***KPS Special Situations Fund III, Ltd. (“Fund III Feeder”)***
Cayman Islands exempted company
- ***KPS Special Situations Fund III (AIV), LP (“Fund III AIV”)***
Alberta limited partnership
- ***KPS Special Situations Fund III (AIV II), LP (“Fund III AIV II” and, together with Fund III, Fund III (A), Fund III Feeder and Fund III AIV, “KPS III”)***
Delaware limited partnership
- ***KPS Special Situations Fund III (Supplemental), LP (“Fund III Supplemental”)***
Alberta limited partnership
- ***KPS Special Situations Fund III (Supplemental – Feeder), Ltd. (“Fund III Supplemental Feeder”)***
Cayman Islands exempted company
- ***KPS Special Situations Fund III (Supplemental – AIV), LP (“Fund III Supplemental AIV”)***
Delaware limited partnership
- ***KPS Special Situations Fund III (Supplemental – AIV II), LP (“Fund III Supplemental AIV II” and, together with Fund III Supplemental, Fund III Supplemental Feeder and Fund III Supplemental AIV, “KPS III Supplemental”)***
Delaware limited partnership
- ***KPS Special Situations Fund IV, LP (“Fund IV”)***
Alberta limited partnership
- ***KPS Special Situations Fund IV (A), LP (“Fund IV (A)”)***
Alberta limited partnership

- ***KPS Special Situations Fund IV (B), LP (“Fund IV (B)”)*** Alberta limited partnership
- ***KPS Special Situations Fund IV (A-Delaware), LP (“Fund IV (A-Delaware)” and, together with Fund IV, Fund IV (A) and Fund IV (B), “KPS IV”)*** Alberta limited partnership
- ***KPS IV Dex Co-Investors (Delaware), LP (“Fund IV (Dex Co-Invest Delaware)”*** Delaware limited partnership
- ***KPS IV Dex Co-Investors, LP (“Fund IV (Dex Co-Invest)” and, together with Fund IV (Dex Co-Invest Delaware), the “KPS IV Co-Investments”*** Alberta limited partnership

KPS III, KPS III Supplemental, KPS IV and the KPS IV Co-Investments are closed to new capital commitments.

Information about the Funds is included in this Brochure and is qualified in its entirety by information contained in the Funds’ confidential offering documents, including any private placement memoranda, limited partnership agreements or similar governing documents (the “Governing Documents”). The Funds’ Governing Documents contain complete information on the investment objectives and investment restrictions applicable to each Fund.

KPS Management III, LP is, directly and indirectly, a wholly-owned subsidiary of KPS. It was formed in 2007 and provides investment advisory services to KPS III and KPS III Supplemental. KPS Management IV, LLC (“Management IV”) is a wholly-owned subsidiary of KPS. It was formed in 2013 and provides investment advisory services to KPS IV and the KPS IV Co-Investments. KPS Cayman Management III, Ltd. (“Cayman Management III”) was formed in 2009 and provides investment advisory services to certain KPS III and KPS III Supplemental entities with respect to certain non-U.S. investments. Cayman Management III is owned, directly and indirectly, by KPS Partners and employees. KPS Capital Germany GmbH is wholly-owned by Cayman Management III, was formed in 2010 and provides investment advisory services to KPS III, KPS III Supplemental, KPS IV and the KPS IV Co-Investments with respect to investments in Europe pursuant to sub-advisory agreements with Cayman Management III and Management IV. KPS Netherlands Management BV is wholly-owned by Cayman Management III and Management IV, was formed in 2018 and provides advisory services to KPS III, KPS III Supplemental, KPS IV and the KPS IV Co-Investments with respect to holding company activities, primarily in the Netherlands, conducted through Amsterdam Cooperatives. KPS HK Management Limited is wholly-owned by Cayman Management III, was formed in 2013 and provides consulting services, primarily in Asia, to certain entities of KPS III, KPS III Supplemental, KPS IV and the KPS IV Co-Investments, with respect to affiliates of existing and prospective portfolio companies of the Funds, pursuant to consulting agreements with Cayman Management III and Management IV.

In providing services to the Funds, KPS formulates each Fund’s investment objective, directs and manages the investment and reinvestment of each Fund’s assets, and provides periodic reports to

the investors of each Fund. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the “Investors”). KPS manages the assets of each Fund in accordance with the terms and conditions of each Fund’s Governing Documents, each of which contains certain restrictions on the types of assets in which the applicable Fund may invest. Investors and prospective investors in a Fund should refer to the applicable Governing Documents for complete information on the specific terms, including investment objectives and investment restrictions, applicable to the Fund. There can be no assurance that any of the Funds’ objectives will be achieved.

Fees and Compensation

KPS or an affiliated entity is entitled to a carried interest and also receives a management fee for providing managerial and administrative services to the Funds. Management fees are generally payable by the Funds quarterly in advance and are pro-rated for any period that is less than a full calendar quarter.

The Funds pay their respective management companies (as described in the *Advisory Business* section above), each of which is primarily owned by or under common control with KPS, aggregate management fees ranging from 1% to 1.75% per annum of committed capital or actively invested capital of each Fund during the life of such Fund. The Funds are also subject to a carried interest of 25%-30% of profits on distributions derived from the disposition of investments or securities (following a preferred return of 8% to the Investors), which is paid to affiliates of KPS.

In connection with the investments of the Funds, various “Transaction Fees” may be paid to KPS-affiliated parties by a portfolio company. In addition, portfolio companies pay quarterly monitoring fees to KPS-affiliated parties pursuant to the terms of a management services agreement. All such fees are retained in full by the KPS-affiliated parties to whom they are paid; however, an amount equal to 100% of all net monitoring fees and 50% of all other net Transaction Fees reduce the management fees otherwise payable by the applicable Fund. To the extent that there are no management fees otherwise payable to offset such fees, such fees will be retained in full by the KPS-affiliated parties to whom they are paid without any offsetting credit or refund. “Transaction Fees” generally include all advisory fees, break-up fees, commitment fees, director’s fees, termination fees, portfolio company management fees, and similar fees, payments or compensation received by KPS and certain of its affiliates in connection with an investment or potential investment. “Transaction Fees” may be structured to be paid at the time of an acquisition or disposition and are not based on the exit or sale price of a Fund investment. Accordingly, KPS and its affiliated parties may receive “Transaction Fees” when a Fund does not ultimately profit from an investment. Monitoring fees may be increased in connection with add-ons to an existing platform investment. While KPS’s management services agreements with its portfolio companies historically provided that monitoring fees could be accelerated upon termination of such agreement prior to the expiration of the initial term, KPS only accelerated the payment of monitoring fees once in connection with an initial public offering and 100% of those fees were offset against management fees otherwise payable by the applicable Funds. KPS will not accelerate monitoring fees in the future, irrespective of whether they are subject to a 100% offset against applicable management fees.

Detailed information regarding the fees charged to each Fund is provided in the Fund's Governing Documents. In addition to management fees and the carried interest, the Funds will pay, or reimburse KPS or its affiliated parties for, certain fees and expenses. Those fees and expenses typically include fees associated with making or selling portfolio investments (whether or not consummated), including, without limitation, private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, accounting, legal, investment banking, consulting, information services, professional fees, custodial, trustee, record keeping, partnership reporting, insurance, travel (which may include the use of non-commercial planes, in which case generally the equivalent of no more than a first class ticket will be charged so long as a viable commercial flight is available and deemed practicable under the circumstances or, if no such commercial flight is available, the available charter rate) and other expenses that may be paid or reimbursed to KPS by the Funds as further detailed in the applicable Fund's Governing Documents. In addition to the fees and expenses associated with making or selling portfolio investments identified above, the Funds may pay or reimburse KPS or its affiliated parties for legal and accounting fees, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, fees for compliance with legal or regulatory obligations, including fees for compliance with the Foreign Account Tax Compliance Act, the cost of directors' and officers' liability insurance and other expenses such as litigation or broken deal expenses, investment banking fees, investment related consultants and other service providers expenses and expenses incurred with respect to the preparation, duplication and distribution of offering documents, annual reports and other financial information, other offering expenses and expenses incurred in connection with annual Investor meetings. All fees paid to any placement agent employed in connection with the offering and sale of interests of a Fund ("Placement Fees") will be charged to such Fund; however, 100% of all Placement Fees will reduce the management fee otherwise payable by a Fund, on an aggregate basis. The general partner of each Fund, in its sole discretion, may call capital for expenses (including management fees) or may fund such amounts out of disposition proceeds.

A more detailed list of expenses paid by the Funds is set forth in the applicable Governing Documents of the Funds. The fees and expenses borne by a Fund are negotiated with the Investors during such Fund's fundraising period. Investors should review all fees charged by KPS, its related parties, and others to fully understand the total amount of fees to be paid by the Funds and, indirectly, their respective Investors. Expenses paid by the Funds are allocated among any parallel funds, alternative investment vehicles, other entities that comprise the Funds and co-investment vehicles, that shared in the activities generating such expenses; however, in the event that a co-investment opportunity is not consummated, and prospective co-investors do not agree to bear their share of any broken deal expenses, such expenses will be considered operating expenses of and be borne by the applicable Funds.

Performance Based Fees and Side-by-Side Management

As discussed in the Fees and Compensation section of this Brochure, the Funds are subject to a carried interest of 25-30%, which is paid to general partners that are affiliated with KPS. Although the carried interest is generally used to align KPS's interests with those of its Funds' Investors, it may also create an incentive for KPS to make more speculative investments. In addition, the carried interest may incentivize KPS to make different decisions regarding the timing and manner of the realization of its Funds' portfolio investments than would be the case if the carried interest did not exist. KPS seeks to address these conflicts through careful vetting of investment opportunities by

its investment professionals and disclosure of investments to Investors by way of capital call notices and quarterly reports. In addition, the Governing Documents of the Funds contain “claw back” provisions applicable in the event of overpayment of the carried interest.

The possibility exists that multiple Funds that do not, by their terms, invest together, may have capital available for investment at the same time. KPS addresses such conflicts by bringing them to the applicable Funds’ advisory boards which are comprised of representatives of the Investors of such Funds (“Advisory Boards”). In such case, KPS will allocate the opportunity (including, any related co-investment opportunities) through a methodology approved by the applicable Funds’ Advisory Boards.

Types of Clients

KPS provides advisory services to the Funds, each of which is a private pooled investment vehicle, through its affiliated parties as described in the *Advisory Business* section above. Investors in the Funds may include a variety of institutional investors (e.g., trusts, public and private employee benefit plans, endowments, foundations, corporations and other types of entities including private funds) and high net worth individuals. The Funds are operated such that they qualify as “private equity funds” for purposes of Form PF.

Investment in the Funds is limited to Investors that meet certain financial sophistication requirements. Investors in the Funds must be (i) “accredited investors” within the meaning of Regulation D under the Securities Act of 1933, as amended, and (ii) “qualified purchasers” within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”). Certain KPS employees who qualify as “knowledgeable employees” under Rule 3c-5 of the 1940 Act are also permitted to invest (directly or indirectly) in the Funds. Investors considering an investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

Additional details concerning applicable Investor suitability criteria are set forth in the Governing Documents of each Fund. The minimum investment in the Funds is generally \$10 million, although the general partners of the Funds may waive or modify the minimum investment in their sole discretion.

In addition, the Funds may enter into separate agreements, commonly referred to as “side letters”, with certain investors, to waive certain terms, or allow such investors to invest on different terms than those specifically described in the offering documents. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other investors.

Methods of Analysis, Investment Strategies and Risk of Loss

In formulating investment strategies and investment advice for the Funds, KPS conducts comprehensive due diligence. KPS’s analysis typically focuses on the target company’s business, business model and competitive environment, financial structure and performance, opportunities for value creation, favorable regulation or regulatory events, current and future cash flow projections, as well as synergies with KPS’s investment process. KPS primarily focuses on making controlling equity investments in manufacturing and industrial companies across a diverse array of industries, including basic materials, branded consumer, healthcare and luxury products, automotive

parts, capital equipment and general manufacturing. The special situations that KPS is most interested in include corporate divestitures and care-outs, restructurings and private sales. KPS will also pursue opportunities involving companies operating in bankruptcy, in default of obligations to creditors, or with a history of recurring operating losses. KPS may create standalone independent companies from assets divested by large corporate parents or make equity infusions to recapitalize highly leveraged companies. KPS focuses on investing capital concurrent with a plan to return the target's operations to profitability. KPS's turnaround plans are premised on cost reduction, productivity improvements, capital investment, capital availability, and, in most situations, the introduction of a new management team and business strategy focused on modernization and growth.

The KPS Portfolio Operations Group ("KPS Ops Group") is organically integrated into KPS and works closely with KPS's investment professionals on due diligence and post-acquisition through leading and implementing continuous improvement programs at each portfolio company. All members of the KPS Ops Group are full-time employees of KPS and none of their time is billed to portfolio companies or the Funds. The KPS Ops Group may periodically engage third-party consultants to assist with certain portfolio projects. Time and out-of-pocket expenses relating to the activities of these consultants are billed to the respective portfolio company at cost. More detailed information regarding KPS's investment strategy and activities is contained in the Governing Documents of each Fund.

Acquiring interests in any Fund involves a number of risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund, and are capable of bearing illiquidity for substantial periods of time. No guarantee or representation can be made that a Fund will meet its investment objectives or that Investors will receive a return of their capital. All investing involves a risk of loss and the investment strategy offered by KPS could lose money over short or even long periods. Prospective and existing Investors are advised to review the Governing Documents of the applicable Fund for additional detail regarding investment, operational and other actual and potential risks applicable to a particular Fund.

Certain material risks presented by KPS's investment strategy are set forth below. This Brochure does not purport to contain a complete disclosure of all risks that may be relevant to a prospective Investor in a Fund. Investing in the Funds involves a risk of loss that an Investor should be prepared to bear. Investments recommended by KPS involve significant risks. There can be no assurance that KPS will meet the investment objectives of a Fund or otherwise be able to carry out its investment strategy successfully.

General Business and Management Risk

Investments in portfolio companies subject the Funds to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors.

Broad Investment Charter

Each Fund has a broad investment charter, and there are only a few formal constraints on the type of investments in which a Fund may invest.

Distressed Companies

The Funds will invest in companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Investments may be undertaken prior to, during or after a restructuring or bankruptcy. Although investments in distressed companies may result in significant returns to the Funds, they involve a substantial degree of risk and may not show any return for a considerable period of time, if at all.

Non-U.S. Investments

Investing outside the U.S. may involve greater risks than investing in the U.S. There is generally less publicly available information about non-U.S. companies, and there may be less government regulation and supervision of non-U.S. companies and investments. There may also be difficulty in enforcing legal rights outside of the United States. Moreover, non-U.S. companies generally are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Lack of Diversification

Although the Governing Documents of the Funds include certain minimum diversification limits, diversification is not an objective of the Funds. A Fund's portfolio may include a small number of large positions. If a Fund's investments are concentrated in a few portfolio companies or industries, any adverse change in one or more of such portfolio companies or industries could have a material adverse effect on such Fund's portfolio of investments. Therefore, while this portfolio concentration may enhance total returns to Investors, if any large position has a material loss, then returns to the Investors may be lower than if they had invested in a well-diversified portfolio.

Illiquidity of Investments

An investment in a Fund requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to the Investors. Many of the Funds' investments will be highly illiquid, and there can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Investors. Additionally, a Fund may acquire securities that cannot be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for a Fund's investments. Finally, in some cases a Fund may be prohibited by contract from selling securities for a period of time.

Controlling Positions; Board Participation

The Funds may invest in a company with the intent to subsequently acquire a controlling position in such company. Until a Fund obtains a controlling position, the ability to implement change in the company or otherwise protect the Fund's position will be very limited. Even if a Fund obtains a controlling position, KPS will be limited by applicable regulations governing such positions, and may face other limitations pursuant to the company's governing documents.

In addition, the Funds may designate directors (and non-executive chairmen) to serve on the boards of directors of portfolio companies. Although such board positions in certain circumstances may be important to the Funds' investment strategy and may enhance KPS' ability to manage investments, they may also have the effect of impairing KPS' ability to sell the related securities when, and upon the terms, it may otherwise desire and may subject KPS and the Funds to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the applicable Fund will indemnify KPS, as well as any persons holding such board positions at the request of such Fund, from such claims

Litigation

While it is generally KPS's policy not to engage in hostile takeovers, KPS's investment activities subject it to the risk of becoming involved in litigation with third parties. This risk is somewhat greater in connection with reorganizations, which can be contentious and adversarial. It is not unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. KPS anticipates that during the term of a Fund, KPS and the Funds may be named as defendants in civil proceedings. In addition, KPS and the Funds may pursue litigation against third parties, including other financial institutions. Pursuing these legal proceedings may not prove successful and could negatively impact broader relationships with these institutions. The expense of defending or pursuing these claims and paying any amounts pursuant to settlements or judgments would generally be borne by the Funds. KPS, its employees and others are entitled to be indemnified by the related Fund in connection with such litigation, subject to certain conditions.

Valuation of Assets

All of the Funds' investments are fair valued by KPS or an affiliated party. When estimating fair value, KPS will apply a methodology based on its good faith judgment of the nature, facts, and circumstances of the investment. Assigned values may not be realized.

Dependence on Key Personnel

The success of the Funds will be highly dependent on the financial and managerial expertise of the KPS Partners. The loss of one or more of the KPS Partners could have a material adverse effect on the performance of the Funds. The interests of these professionals in the general partners of the Funds should tend to discourage them from withdrawing from participation in the Funds' investment activities. However, there can be no assurance that such KPS Partners will continue to be associated with the general partners of the Funds or its affiliates throughout the life of the Funds, as the KPS Partners are under no contractual obligation to remain with the general partners of the Funds for all or any portion of the term of the Funds. In addition, in the event that the KPS Partners cannot agree on decisions affecting the Funds, the investment results of the Funds may be adversely affected.

Difficulty of Locating Suitable Investments

There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Funds to invest all of their committed capital in opportunities that satisfy the Funds' investment objectives, or that such investment opportunities will lead to completed investments by the Funds. The activity of identifying, completing and realizing an attractive investment opportunity is highly competitive and involves a high degree of uncertainty. The Funds will compete for the acquisition of investments with other investors, some of which may have greater resources than the Funds. Such competitors may include other private investment funds as well as

individuals, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size). In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Therefore, identification of attractive investment opportunities is difficult and involves a high degree of uncertainty, and competition for such opportunities may become more intense. There can be no assurance that KPS will be able to identify a sufficient number of investment opportunities for the Funds to enable it to invest fully the commitments in opportunities that satisfy the Funds' investment objectives, or that such investment opportunities will lead to completed investments by the Funds.

Cybersecurity

KPS, the Funds and their portfolio companies may face cybersecurity threats to gain unauthorized access to sensitive information, including information regarding KPS's investment activities and the investors in the KPS Funds, or to render data or systems unusable, which could result in significant losses. If such events were to materialize, they could lead to losses of sensitive information or capabilities essential to KPS's, the Funds', and/or a portfolio company's operations and could have a material adverse effect on their reputations, financial positions, results of operations, or cash flows, could lead to financial losses from remedial actions, loss of business, or potential liability, or could lead to the disclosure of investors' personal information.

Disciplinary Information

KPS and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an Investor's evaluation of KPS or its personnel.

Other Financial Industry Activities and Affiliations

Related persons of KPS may serve as directors and officers of, and provide advice to, publicly traded companies and private companies. Investors should be aware that receipt of material non-public information by KPS's related persons regarding these companies could preclude KPS from effecting transactions in the securities of such companies. Any compensation received by KPS employees for directorships with portfolio companies of the Funds will be deemed to be "Transaction Fees" and will reduce the management fees otherwise payable by the applicable Fund (as described in the *Fees and Compensation* section above).

Certain of the related persons of KPS may have personal investments in companies, limited partnerships or limited liability companies. To the extent that conflicts arise, they are reviewed by KPS's Chief Compliance Officer.

Expenses borne by the Funds are allocated among any parallel funds, alternative investment vehicles, co-investment vehicles, and other entities that comprise the Funds that shared in the activities generating such expenses; however, in the event that a co-investment opportunity is not consummated, and prospective co-investors do not agree to bear their share of any broken deal expenses, such expenses will be considered operating expenses of and be borne by the applicable Funds.

It is possible that KPS may occasionally utilize the services of entities that have, directly or indirectly, or whose affiliates have, investments in the Funds. Such services will only be used on an arm's length basis and when KPS determines they are in the best interest of the Funds.

KPS Capital Finance Management, LLC ("KPS Finance Management"), a wholly-owned subsidiary of KPS, serves as administrative agent and/or collateral agent for certain subordinated or second-lien loans made by the Funds to their respective portfolio companies as part of acquisition financing. KPS Finance Management does not charge the Funds or their portfolio companies for its services, nor does it otherwise generate revenue in the ordinary course. However, if a portfolio company defaults on its obligations with respect to any such loan, the interests of KPS Finance Management and the interests of the Funds that issued the loan may conflict with respect to KPS Finance Management's exercise of any of its default remedies with respect to such loan. It is KPS's policy that, in exercising such default remedies, KPS Finance Management will at all times act in the best interests of the Funds that provided the loan.

Any cash or securities received by KPS Finance Management as a result of the exercise of such default remedies against a portfolio company will be deposited with a qualified custodian on behalf of the applicable Funds. Any other assets received by KPS Finance Management as a result of the exercise of default remedies against a portfolio company will be held for the benefit of the applicable Funds and the proceeds of any sale of such assets shall be deposited with a qualified custodian on behalf of the applicable Funds.

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

KPS employees must put the interests of the Funds before their own personal interests and must act honestly and fairly in all respects in dealings with the Funds and Investors. KPS has adopted a Code of Ethics and related internal compliance policies and procedures which govern, among other things, the personal trading activities of its employees. Among other requirements, all employees must obtain pre-approval from the Chief Compliance Officer or his designee for certain personal trades and must also periodically report personal securities accounts in which they hold a beneficial interest, including certain related holdings and transactions. Should potential conflicts of interest arise, KPS employees have an ongoing responsibility to report such conflicts to the Chief Compliance Officer or his designee, who will address such conflicts on a case-by-case basis. KPS has also adopted compliance policies and procedures regarding gifts and entertainment as well as charitable and political contributions. The Chief Compliance Officer or his designee will periodically review employee personal trading activity to confirm that transactions are being conducted in accordance with KPS's internal compliance policies and procedures. Investors or prospective Investors may obtain a copy of the Code of Ethics by contacting Mr. Christopher Anderson at (212) 338-5133.

KPS and its affiliates may from time to time incur expenses on behalf of one or more existing or subsequent Funds. In such cases, KPS and its affiliates will attempt to allocate such expenses on a basis that it considers equitable under the circumstances.

From time to time, KPS employees may be offered and utilize discounts or complimentary services not otherwise available to the public from a KPS portfolio company or other business relationship.

KPS and its portfolio companies have entered group purchasing arrangements with certain third-party vendors. KPS does not receive any direct group purchasing fees as a result of these arrangements and participates on the same terms as its portfolio companies. Any applicable incentive rates or rebates are either applied across KPS and its portfolio companies or paid directly to KPS and its portfolio companies, based on the amount of their respective purchases.

KPS and its related persons make decisions separately with respect to each Fund. From time to time, a decision that is in the best interest of one Fund may not be in the best interest of, or may be detrimental to, another Fund. With respect to any conflicts of any nature relating to one or more of the Funds, KPS will consult with the Advisory Boards of the applicable Funds. Any decisions of an Advisory Board authorized by the Governing Documents are binding on the Investors of the applicable Fund.

MDRJ Credit Partners, LP (“MDRJ LP”) is owned and controlled by the KPS Partners. MDRJ LP was formed in 2014 to permit the KPS Partners to invest in term debt securities issued by KPS IV portfolio companies, up to a maximum amount of 5% of any such issuance (not to exceed \$3.2 million in the aggregate per issuer), on terms and conditions no less favorable to the applicable portfolio company than the terms and conditions available to third-party investors in such issuance. If a portfolio company defaults on its obligations with respect to any such securities, the interests of MDRJ LP and the interests of the portfolio companies that issued the securities may conflict with respect to MDRJ LP’s exercise of any of its default remedies with respect to such securities. However, the size of MDRJ LP’s investments in debt issued by portfolio companies is limited with the intention that the Principals’ interests in any portfolio company through KPS IV should outweigh their interests in the portfolio company as a result of debt investments by MDRJ LP. Furthermore, it is KPS’s policy that, in exercising such default remedies, MDRJ LP will at all times act in the best interests of the Funds that invested in the portfolio companies that issued the securities.

The KPS Partners will disclose the amount of term debt securities purchased by MDRJ LP to the KPS IV advisory board on an annual basis.

KPS and its related persons may, from time to time, come into possession of material, nonpublic and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, KPS and its related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether such person is a Fund. By reason of its responsibilities to the Funds and notwithstanding procedural safeguards including restricted securities lists, KPS may acquire material nonpublic or other confidential information that would limit its ability to direct the purchase or sale of certain investments. Moreover, KPS may be restricted from initiating transactions in certain instruments or selling certain investments, due to its possession of material nonpublic or other confidential information, at a time when it would otherwise take such action.

KPS and certain of its affiliated parties and employees are Investors in the Funds. As such, KPS and certain of its affiliated parties and employees have a direct financial interest in the transactions of each of the Funds. While investments by such related parties are intended to align the interests of KPS and the related parties with those of the Funds, such investments may create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in

the Governing Documents of each Fund. Generally, investments and dispositions are made on the same economic terms for all Investors, including KPS and its related parties and each investment is made pro rata among the Investors of each Fund, including KPS's related parties who are Investors, so that KPS and its related parties may not receive more favorable terms or greater exposure to certain investments.

Brokerage Practices

KPS's business is to focus on making investments in private securities. Accordingly, it does not typically trade in public securities. In the limited circumstances where KPS purchases or sells public securities or holds such securities as a result of a portfolio company going public, it intends to follow applicable SEC guidelines and to seek to obtain best execution of such transactions. KPS does not have any formal soft dollar arrangements or other arrangements that would commit the Funds to any specific or implied level of trading. As an institutional money manager, KPS may receive access to research made available through brokerage counterparties or investment banks. KPS believes this research is available to all institutional money managers of similar size.

KPS strives to select broker-dealers, investment banks or financial intermediaries that provide the Funds with favorable execution capabilities and qualities. Certain entities are utilized for the Funds due to their presence in specific markets and their ability to trade certain securities or complete specialized types of transactions. Research or additional ancillary services not associated with the transaction provided by such service providers are not determining factors for engaging a particular service provider.

Review of Accounts

As noted above, KPS focuses on investments in private equity. Prior to being made, all investments are carefully reviewed and approved by KPS's Investment Committee, which is comprised of Messrs. Psaros (Managing Partner), Shapiro (Managing Partner), Ms. Palmer (Managing Partner) and Bernstein (Partner). The progress of all portfolio companies is monitored on a regular basis, including monthly review calls conducted by staff of the KPS Ops Group with company management, and is subject to supervision and review by KPS's senior management. KPS's Valuation Committee reviews the valuation of the Funds' investments quarterly in accordance with its valuation policy.

KPS also exercises oversight of its investments through representation on the board of directors of its portfolio companies. KPS generally requires that its portfolio companies report their financial condition on a monthly basis and hold regular board meetings. In addition, KPS generally conducts monthly meetings with its full investment staff to discuss the financial condition of each investment.

KPS provides quarterly and annual reports (including annual audited financial statements) to each of the Funds' Investors in accordance with the terms of the Governing Documents of the Funds. In addition, each Investor receives annual tax information with respect to the Funds as necessary for the completion of any applicable Federal tax returns.

Client Referrals and Other Compensation

In certain circumstances, KPS may, pursuant to a written agreement, pay cash consideration for solicitation activities to third parties. KPS intends to pay such consideration in compliance with applicable SEC rules and other laws and regulations that may be in effect from time to time.

In connection with the offer and sale of interests in certain of the KPS III entities, KPS also engaged Probitas Funds Group, LLC (“Probitas”) and MC Financial Services, Ltd. (“MC Financial”) as placement agents. Probitas received a fixed cash fee as well as non-cash compensation in the form of a right to invest in one of the general partners of KPS III. MC Financial was compensated based on a percentage of capital commitments received from certain investors in KPS III. Both Probitas and MC Financial also received reimbursement of certain out-of-pocket expenses.

In connection with the offer and sale of interests in certain of the KPS IV entities, KPS engaged MC Financial as a placement agent. MC Financial was compensated based on a percentage of capital commitments received from certain investors in KPS IV. MC Financial also received reimbursement of certain out-of-pocket expenses.

As discussed under “Fees and Compensation” above, “Transaction Fees” may be paid to KPS-affiliated parties by a portfolio company.

Custody

To the extent required, the assets of the Funds are held in custody by unaffiliated broker/dealers, banks or other qualified custodians. KPS is deemed to have access to Investor accounts since its affiliates serve as the general partners of the Funds. Investors will not receive statements from the custodian. Instead, the Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Fund’s Investors. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund’s fiscal year end.

Investment Discretion

The Governing Documents of each Fund grant KPS’s affiliated management entities and affiliated general partners discretionary authority to implement investment decisions on behalf of the Funds and to utilize a broad range of investment vehicles. KPS’s investment decisions and advice with respect to each Fund is subject to the limitations set forth in such Fund’s Governing Documents and any side letters that it executes with Investors.

Voting Client Securities; Class Actions

The Funds are primarily invested in private companies which typically do not issue proxies. In the event that a Fund acquires equity positions or other positions in entities that may solicit proxies, KPS will develop and implement policies and procedures to vote such proxies.

As is typical in private equity investing, KPS generally approves one or more of its employees to act as representatives on the board of directors of portfolio companies on behalf of the Funds. As noted herein, the KPS Partners serve as board members of the Funds' portfolio companies in such representative capacity. In situations where KPS votes the proxy for a company in which an employee or employees of KPS serve on the board of directors, KPS has determined that this does not inherently present a conflict of interest as (a) the employee is on the board of directors as a representative of the Funds and (b) the sole purpose of this representation is to maximize the return on the Funds' investment in such company and to ensure that the Funds' interests are protected. Given these facts, the Funds and the representative's role are aligned with respect to proxy voting and otherwise.

In the event that one or more of the Funds becomes involved in any class actions, KPS and the general partner(s) of the applicable Fund(s) will use their discretionary authority to act in what they believe to be the best interests of the Funds in directing their participation in such class actions.

Financial Information

KPS has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.