

Item 1. Cover Page



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This brochure provides information about the qualifications and business practices of Kilonova Capital LLC (the “Management Company”) and its affiliates (collectively, “KC” or “the Firm”). If you have any questions about the contents of this brochure, please contact us at (650) 800-3065. 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.

KC is registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training of KC or its personnel.

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

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a confidential offering memorandum and related subscription materials.

Item 2. Material Changes

Since KC filed its last Brochure, effective September 15, 2023, KC began advisory operations and currently manages approximately \$486,750,000 in non-discretionary assets. There are no other material updates that have been made since the last Brochure.

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Item 4. Advisory Business

Kilonova Capital LLC is a Delaware limited liability corporation that was formed on November 15, 2017 and is headquartered in San Francisco, CA. KC is primarily owned by its founders Mark Watt, Wesley Goldstein and Tamin Pechet.

KC is a growth capital and special situations advisory firm, focused on structured credit and structured equity investments in late-stage technology and life science companies, and serves as an intermediary between companies that merit financing and investors seeking yield.

KC provides investment advice to and manages Special Purpose Vehicles (the “KC SPVs”) or Direct Investment Vehicles (the “KC DIVs”) that are formed to invest in a single portfolio company or several portfolio companies on a discretionary or non-discretionary basis. KC also provides advisory services, on a non-discretionary basis, to pooled investment accounts (“Other Advisory Accounts”). The KC SPVs, KC DIVs and Other Advisory Accounts are collectively referred herein as “Advisory Clients” and each an “Advisory Client”.

KC’s investment management and advisory services to its Advisory Clients are provided pursuant to the terms of the applicable special purpose vehicle agreement, direct investment vehicle agreement, or other operating agreement (each an “Advisory Client Agreement” and collectively the “Advisory Client Agreements”), which set forth investment strategies and limitations. All investors in the Advisory Clients (“Investors”) are provided with an Advisory Client Agreement and, in the case of certain Advisory Clients, a confidential private placement memorandum or other offering documents prior to making an investment. Collectively for each KC SPV, KC DIV or Other Advisory Account, the Advisory Client Agreement, the private placement memorandum as relevant, and other offering documents as relevant, are referred to as the Governing Documents (the “Governing Documents”). Investors are urged to carefully review those documents prior to making an investment in the Advisory Client.

KC tailors its investment advice to each Advisory Client in accordance with the Advisory Client’s investment objectives and strategy as set forth in the relevant Governing Documents.

Generally, KC does not tailor its advisory services to the individual needs of Investors. Investment decisions and advice are subject to the investment objectives and guidelines set forth in the relevant Governing Documents.

KC may in the future enter into side letters or other similar agreements with certain Investors that have the effect of altering or supplementing the terms of those set forth in the respective Governing Documents (including economic terms).

KC does not expect to participate in any wrap fee programs.

As of the date of this filing, KC manages approximately \$486,750,000 in assets on a non-discretionary basis.

Item 5. Fees and Compensation

Fees and expenses will be charged as set forth in each Advisory Client's Governing Documents. It is important that Investors refer to the relevant Governing Documents for a complete understanding of fees and expenses they may pay through an investment in the Advisory Clients.

KC is compensated for its advisory services through asset-based management fees ("Management Fees") calculated based on a percentage of invested capital (as defined in the relevant Governing Documents), payable monthly in arrears. Certain Advisory Clients are subject to a minimum fixed fee for a period of time as defined in the relevant Governing Documents.

In addition, KC may be entitled to receive performance-based fees (referred to as "Carried Interest") from certain Advisory Clients. Subject to the terms and limitations set forth in the applicable Governing Documents of each Advisory Client, including clawback obligations, KC may be entitled to receive Carried Interest distributions calculated as a percentage of net profits derived from the disposition of portfolio investments in excess of a preferred return to Investors.

KC may elect to reduce, otherwise reduce, modify or waive the Management Fees or Carried Interest distributions with respect to any Investor, including but not limited to its personnel, KC affiliates or other Investors meeting certain qualification requirements.

Management fees are typically paid from capital calls drawn for such purpose. Carried interest will be distributed to KC from time to time upon the disposition or receipt of proceeds in respect of portfolio investments by an Advisory Client in accordance with the terms of the applicable Governing Documents.

Consulting Fees

KC has entered into a consulting agreement with an unaffiliated entity (the "Consultee") whereby upon the Consultee's request, KC will enter into and maintain discussions with the management and/or respective advisors of companies identified by the Consultee, so KC remains apprised of the status of each company including monitoring the performance of each company and intends to make certain recommendations in relation to corporate actions in respect thereto. KC will provide information on the administration of the companies, including but not limited to any information on the progress of companies. Finally, KC intends to advise on the actual and anticipated costs of funding the companies and liaise with the Consultee as to administering the payment of invoices for costs incurred in accordance with the applicable company documentation. KC receives a monthly fixed fee for providing these services to the Consultee.

Other Fees

KC may be entitled to receive certain fees which will be subject to offset against the Management Fee as described below. This does not include any amounts received by any Operating Professionals (as defined below), any KC personnel or any other person from a portfolio company as reimbursement for expenses directly related to such portfolio company or a prospective portfolio company, as payment for services provided to any portfolio company in the ordinary course of such portfolio company's or prospective portfolio company's business or as compensation for services provided by an Operating Professional or any other person as an employee of or in a similar capacity for such portfolio company or any of its subsidiaries.

Operating Expenses

KC is responsible for paying its ordinary overhead expenses, such as facilities expenses and compensation of its employees.

Each Advisory Client generally bears the costs and expenses relating to its activities and operations. As set forth more fully in the applicable Advisory Client Governing Documents, these expenses include, without limitation, all fees, costs, liabilities and expenses attributed to: (a) activities with respect to negotiating, structuring, sourcing, organizing, acquiring, financing, bidding-on, refinancing, hedging, managing, monitoring, operating, valuing, trading, dissolving, winding-up, liquidating, restructuring, holding and disposing of portfolio investments (such as, for example, expenses incurred on investment-related trips, including airfare, hotels, meals and transportation), or in seeking to do any of the foregoing, whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (b) broken deal expenses; (c) legal, filing, brokerage, accounting, auditing, consulting, escrow, custodial, administration, information, appraisal, advisory, valuation, research, tax and other professional services; (d) litigation (including actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith) and indemnification, unless prohibited by the Advisory Client Governing Documents; (e) insurance premiums, including directors and officers liability, errors and omissions liability and other insurance and regulatory expenses with regard to the activities of the Advisory Client; (f) Management Fees; (g) the preparation, distribution or filing of Advisory Client-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedules K-1, administrative, compliance or regulatory filings or reports as permitted by the Advisory Client Agreement; (h) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tolls, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Advisory Client and the investors; (i) any annual investor or other periodic, if any, meetings of the investors and any other conference or meeting with any investors in each case, to the extent incurred by KC, or any affiliate of KC; (j) the termination, liquidation, winding up or dissolution of the Advisory Client; (k) indebtedness of, or guarantees made by, the Advisory Client, or KC on behalf of the Advisory Client, including interest with respect thereto, or of seeking to put in place any such indebtedness or guarantee; (l) broker, dealer, finder, underwriting (including, without limitation, both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder depository and similar services; (m) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (n) reverse breakup, termination and other similar fees; (o) financing, commitment, origination and similar fees and expenses; (p) filing, title, transfer, registration and similar fees and expenses; (q) printing, communications and publicity; (r) any activities with respect to protecting the confidential or non-public nature of any information or data; (s) except as otherwise determined by KC in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such vehicle) that would be an Advisory Client expense or organizational expense if it were incurred in connection with the Advisory Client; (t) defaults by investors in the payment of any capital contributions; (u) any amendments, waivers, approvals or consents to the Advisory Client Governing Documents and related entities, including the organization, preparation, distribution and implementation thereof; (v) complying with any law or regulation related to the activities of the Advisory Client (excluding any regulatory expenses of KC) and legal fees and expenses and/or any litigation or governmental inquiry, investigation or proceeding involving the Advisory Client, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from indemnification; (w) distributions to investors and other expenses associated with the acquisition, holding and disposition of Advisory Client investments, including extraordinary expenses; (x) any reasonable travel, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities (for purposes hereof, “travel” shall include, without limitation, travel accommodations and transportation costs (including economy- plus airfare)); (y) any compliance or regulatory matters related to the Advisory Client; (z) all other expenses that are not normal overhead expenses.

In certain cases, a co-investment vehicle, a parallel vehicle or other similar vehicle established to facilitate the investment by investors to invest alongside an Advisory Client may be formed in connection with the consummation of a transaction. In the event such a vehicle is created, the investors will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the vehicle. The co-investment vehicle, parallel vehicle or other similar vehicle will generally bear its pro rata portion of expenses incurred in the making an investment. If a proposed transaction is not consummated, no such vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (including any expenses relating to the organization of such vehicle that was not ultimately formed) would therefore be borne by the Advisory Client or Advisory Clients selected by KC as proposed investors for such proposed transaction.

Organizational Expenses

Each Advisory Client bears its organizational costs, fees and other expenses incurred in connection with the formation and organization of such Advisory Client subject to the terms and limitations set forth in the Advisory Client's Governing Documents.

Operating Professionals

KC utilizes on behalf of Advisory Clients and/or portfolio companies, operating partners, executives and other consultants, which may be affiliates of KC, employees of such affiliates (including of the Management Company or another entity owned and/or controlled by personnel of the Management Company and/or its affiliates), portfolio companies of other Advisory Clients managed by KC or its affiliates, "operating partners," "entrepreneurs-in-residence," "executives-in-residence," "consultants," "contractors," "advisers" and/or other third-party consultants (including consultants, operating executives and other external executives) ("Operating Professionals"). KC may designate Operating Professionals in its sole discretion. KC expects Operating Professionals to regularly provide services to, or in connection with, Advisory Clients or one or more portfolio companies or prospective portfolio companies in relation to identification, diligence, operations and/or other investment-related and operational activities, and Operating Professionals may serve on boards of directors or other similar governing boards of portfolio companies ("Services").

The fees and expenses associated with any such Services ("Consulting Fees and Expenses") are paid and/or reimbursed by applicable portfolio companies and/or the Advisory Client and will not offset the Management Fee. Consulting Fees and Expenses typically include, based on the particular Services, cash fees, profits or equity interests in a portfolio company, a share of proceeds upon sale of a portfolio company and/or other incentive-based compensation to Operating Professionals, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Professionals, a percentage of the value of the portfolio company, the amount of capital invested in such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating Professionals also receive reimbursement of certain costs and expenses, including travel, meals, lodging and reasonable and customary entertainment, which are incurred in connection with providing Services. Separately, Operating Professionals may receive office space, health insurance, business cards and other benefits and may make use of other Management Company resources. Additionally, portfolio companies may provide opportunities for Operating Professionals to invest in the Advisory Client and/or such portfolio company (without the payment of management fees or carried interest) and reimburse costs and expenses incurred by such persons. Operating Professionals also may receive remuneration from KC and/or the Advisory Client and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Operating Professionals may also have the opportunity to co-invest in companies alongside an Advisory Client. Such investment opportunities and reimbursements paid to Operating Professionals do not offset the Management Fee. Operating Professionals may have a carried interest or profit interest in the Advisory Client, or KC.

In addition, Consulting Fees and Expenses received by Operating Professionals that are borne by the Advisory Client and/or a portfolio company may result in direct or indirect benefits to the Management Company, its affiliates and/or portfolio companies of other Advisory Clients advised by the Management Company or its affiliates. Consequently, the Management Company, its affiliates and/or portfolio companies of other Advisory Clients sponsored by the Management Company could receive services without bearing associated costs. Conversely, the Advisory Client or its portfolio companies or prospective portfolio companies could also benefit from services where the associated Consulting Fees and Expenses is borne by the Management Company, its affiliates and/or portfolio companies of other Advisory Clients sponsored by the Management Company or its affiliates.

Other Benefits

KC and its personnel can be expected to receive certain intangible and/or other benefits arising or resulting from their activities on behalf of the Advisory Clients that will not be subject to a management fee offset or otherwise shared with the Advisory Client or the investors therein and/or Portfolio Companies. For example, airline travel or hotel stays incurred in connection with the business of the Advisory Clients may result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to KC and/or such personnel even though the cost of the underlying service is borne by the Advisory Clients or Portfolio Companies.

Management Fee Offsets

KC may be entitled to receive transaction, commitment, closing, directors’, officers’, break-up, advisory, syndication, guarantee, monitoring and other fees (net of expenses) paid by portfolio companies (collectively, “Transaction Fees”) with respect of investments made by an Advisory Client. Transaction Fees received by KC and/or its affiliates in respect of investments made by an Advisory Clients (“Offset Fees”) will be credited 100% against future Management Fees. To the extent such offsets would reduce the Management Fee for a given quarter below zero, such offsets will be carried forward and reduce future installments of the Management Fee.

The foregoing list of expenses is not intended to be exhaustive and is qualified in its entirety by the Governing Documents of each Advisory Client.

Additional Information

The investment strategies employed with respect to Advisory Clients generally do not involve the purchase or sale of publicly offered securities, and as such, do not typically entail expenses related to brokerage commissions. The section titled “Brokerage Practices” describes the factors KC considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

KC and its supervised persons do not accept compensation for the sales of securities or other investment products.

Item 6. Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

KC may be entitled to receive performance-based fees, or Carried Interest, from certain Advisory Clients as described more fully above under “Compensation and Fee Schedules”. The performance-based fees discussed above comply with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) and are separate and distinct from the Management Fees charged by KC for advisory services.

Performance-based fees received by related persons of KC may create an incentive for KC to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Please refer to the Governing Documents of each Advisory Client for more complete information on the “performance-based fee” arrangements of each Advisory Client.

Side-by-Side Management

KC may provide concurrent advisory services to clients that are not charged a performance-based fee or allocation by KC’s related persons and clients that are charged a performance-based fee or allocation by a related person of KC. As a result, the potential for KC’s related persons to receive greater fees or allocations from performance-based accounts creates a conflict of interest with respect to the allocation of investment opportunities, as KC may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the account that pays a performance fee or allocation. To alleviate potential conflicts of interest, the allocation of commitments and investment decisions with respect to each Advisory Client are made by KC with respect to all Advisory Clients in accordance with KC’s investment allocation policy, which takes into account multiple criteria, including: specific objectives of each Advisory Client, the size and capital available for investment by each Advisory Client, diversification needs, the size of the investment opportunity, current and anticipated market conditions, specific investment restrictions or guidelines applicable to each Advisory Client, and relevant tax or regulatory considerations. In the event investment opportunities are suitable for more than one Advisory Client, KC will allocate such investment opportunities in a manner that is fair and equitable to each Advisory Client relative to the other Advisory Clients over time, considering all relevant facts and circumstances.

Item 7. Types of Clients

KC provides investment advice to Advisory Clients, which are primarily pooled investment vehicles that are exempt from registration under the Investment Company Act, as noted in Item 4 above.

The Investors participating in the Advisory Clients come from a diversified base of institutional investors including university endowments, insurance companies, public pensions, corporate pensions, foundations, asset managers, family offices, and fund of funds. They may also include KC employees, members of their families, and Operating Professionals.

Interests in Advisory Clients will be sold only to investors who meet qualification requirements under applicable securities laws. KC generally limits its respective investors to (i) “accredited investors” as defined in the Securities Act, (ii) “qualified purchasers” or “knowledgeable employees,” each as defined in the Investment Company Act and (iii) “qualified clients”, as defined in the Advisers Act. Investors in the Advisory Clients must meet certain qualifications prior to making an investment in the Advisory Clients.

The Advisory Clients generally have a minimum investment amount of \$5,000,000.

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

General

KC's investment strategy is to provide growth or special situations capital to late-stage technology and life science companies in North America, Europe, the United Kingdom and Israel. KC generally provides structured credit or structured equity investments with the goal of aligning the interests of shareholders and management and providing value added capital to operate and scale the company.

Investment Process

KC focuses on investing in companies that it believes provide downside risk mitigation (via a combination of investment structure and collateral value through intellectual property, tangible assets or contracted / highly visible revenue streams with high gross margins) and have the potential for outsized returns.

Typically, the companies KC focuses on are anticipated to achieve a liquidity event, in normalized market conditions, within a 3-4 year horizon. The implication of this strategy is that target companies typically have fully developed technology, demonstrated product-market fit, tangible customer traction (unit economics and revenue) and seasoned management teams.

KC seeks to generate returns by identifying true discounts to value, understanding and mitigating risks, actively building value in partnership with portfolio company management teams and achieving successful exits.

KC has built a proprietary and growing database of target investment companies to augment the investment team's relationships and drive potential proprietary deal flow. KC has also built an Operating Professional network of over twenty-five technology industry veterans who help originate, screen and diligence potential investment opportunities.

KC has developed a multi-stage process that starts with the initial deal sourcing and screening, to preliminary due diligence and term sheet structuring, followed by final due diligence, investment committee approvals and documentation, and finally proactive post-closing portfolio monitoring. KC's due diligence process is centered on determining the key potential downside risks of an investment and implementing structural or operating mitigants to manage these risks, while ensuring adequacy of capital, talent and other resources to execute to plan. Additionally, KC may utilize third-party professionals and advisors to assist with highly specialized diligence concerns as necessary (e.g., technical evaluations, intellectual property matters, tax and audit issues, etc.)

KC recognizes the importance of environmental, public health, safety, transparency and social issues and the role that they play in the success of its investments. Accordingly, KC may consider Environmental, Social and Governance ("ESG") factors in its initial investment due diligence and decision-making processes as well as throughout the life of its Advisory Client's investments. KC believes this creates long-term value for both its investors and its communities.

Below is a summary of the material risks associated with KC's investment strategy and types of investments. **Prospective Investors should refer to each Advisory Client's Governing Documents for a full description of risks.**

Risks of Investments

All securities investments risk the loss of capital. No guarantee or representation is made that Advisory Clients will achieve their investment objectives or that an Advisory Client investor will receive a return of

its capital. Making an investment in an Advisory Client is speculative and such an investment is not intended as a complete investment program. An investment in an Advisory Client is designed for sophisticated persons who are able to bear the economic risk of the loss of their investment in the Advisory Client and who have a limited need for liquidity in their investment. In addition, there will be occasions when KC may encounter potential conflicts of interest in connection with an Advisory Client.

In evaluating whether to make an investment in an Advisory Client, potential investors should consider all information contained in the respective Advisory Client's Governing Documents.

Reliance on KC. KC will have responsibility for an Advisory Client's activities, and, other than as may be set forth in the Advisory Client's Governing Documents, Investors may not be able to make investment or any other decisions in the management of an Advisory Client. The success of an Advisory Client will depend in large part upon the skill and expertise of KC and the third-party professional advisers they choose to engage. Should one or more of these individuals become incapacitated or in some way cease to participate in an Advisory Client, its performance could be adversely affected. No assurance exists that a suitable replacement could be found if one or more of these individuals becomes unavailable for any reason.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on KC's activities, including the ability of an Advisory Client to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

Restrictions on Transfers and Withdrawals. An Advisory Client's interests have not been and will not be registered under the Securities Act or applicable state securities laws and may not be resold unless an exemption from such registration is available. An Advisory Client is not under any obligation to cause such an exemption (whether pursuant to Rule 144 under the Securities Act or otherwise) to be available. Accordingly, there is no secondary market for the interests in an Advisory Client and such market is not expected to develop. Transfer of interests in an Advisory Client is also subject to numerous restrictions set forth in the Advisory Client Governing Documents. Investors will not have any right to transfer their interests in an Advisory Client except as set forth in the Advisory Client Governing Documents and may not withdraw from the Advisory Client or require the Advisory Client to redeem or repurchase their interests.

Illiquidity of Interests. An investment in an Advisory Client requires a long-term commitment, with no certainty of return. Investors may not be able to liquidate their interests in an Advisory Client prior to the end of the Advisory Client's term. Although KC expects that investments will be disposed of prior to dissolution or be suitable for in kind distribution at dissolution, an Advisory Client may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution. KC is unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Concentration of Investments in the Technology Markets. An Advisory Client's investments are not subject to any specific geographical or sector diversification requirements, except for such requirements set out in the Advisory Client's Governing Documents. However, it is expected that the Advisory Clients' focus will be on late-stage companies in technology and life science markets. As a result, an Advisory Client's investments may be concentrated in a single geographical location or investment type.

In addition, the technology markets in which the portfolio companies compete are subject to continuous technological change and investments in these companies pose unique risks. The portfolio companies may also have difficulty protecting their intellectual property and may face potential costly and disruptive patent

infringement actions by competitive companies.

Valuation Risk. The public and private market valuation of securities of companies engaged in industries in which an Advisory Client will concentrate its investments is extremely volatile. Market prices may not be readily available for many of the Advisory Client's investments, and the value of such investments will ordinarily be determined based on fair valuations determined by KC or a third-party valuation firm. The sale price of securities that are not readily marketable may be lower or higher than the Advisory Client's most recent determination of the securities' fair value.

KC's determination of the fair value of an investment may impact the calculation of the Management Fee and Carried Interest to the extent such valuation would result in a write-down, which could incentivize KC to refrain from writing down investments. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by KC in accordance with procedures set forth in the Advisory Client Governing Documents. Independent appraisals may be obtained by KC in connection with valuation of certain investments, but KC is not required to obtain an independent appraisal each time such valuation is conducted.

Market Conditions. During periods of difficult market conditions or slowdowns in sectors related to the portfolio companies, an Advisory Client's investment may experience decreased revenues and financial losses. If during such periods, the portfolio companies require additional financing to reach the next stage of development, such portfolio companies may experience difficulty in obtaining access to financing and increased funding costs. During such periods of weakness, the portfolio companies may also have difficulty expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due. There can be no assurance that a portfolio company will have sufficient cash flow from operations or capital resources from follow-on financings, or as relevant, to satisfy its loan obligations to an Advisory Client as they become due. If a portfolio company defaults on its loan obligations to an Advisory Client, the Advisory Client could experience significant delays and costs in exercising its rights to protect its investment. An Advisory Client's ability to obtain payment from a portfolio company beyond the realizable value of the Advisory Client's collateral may be limited by bankruptcy or similar laws affecting creditor's rights.

Co-Investment Risks. An Advisory Client may make an investment as a co-investor. Depending on the structure of these co-investments, the Advisory Client may share major decision-making responsibility with its co-investment partners and therefore may not have the ultimate control over material decisions with respect to these investments. As a result of this lack of ultimate control, the co-investments may have a negative impact on the Advisory Client's performance.

Need for Follow-On Investments. An Advisory Client may be called upon to provide follow-on funding for its portfolio investment. There can be no assurance that an Advisory Client will wish to make these follow-on investments or that an Advisory Client will have sufficient funds to do so. Any decision by an Advisory Client not to make follow-on investments, or its inability to make them, may have a substantial negative impact on a portfolio investment in need of such an investment or may diminish an Advisory Client's ability to influence such portfolio investment's future development.

Non-U.S. Investments. An Advisory Client may invest its capital outside the United States. These investments involve special risks not usually associated with investing in the United States. Because non-U.S. entities may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable with those applicable to U.S. entities, there may be different types of, and lower quality, information available about a non-U.S. investment than a U.S. investment. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits,

restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, capital gain or other income, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect an Advisory Client's investments in those countries.

Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities. The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. In addition, the Organization for Economic Co-operation and Development (the "OECD") has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to Advisory Clients and may require KC to collect and share with applicable taxing authorities information concerning Investors (including identifying information and amounts of certain income allocable or distributable to them). An Investor's failure to provide required information may result in expulsion from the Advisory Client and/or KC may exercise other potential remedies. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends and interest, unless an exception applies. The Advisory Client may be required to withhold such taxes from certain non-U.S. Investors, unless an exception applies.

Foreign Currency and Exchange Rate Risk. All or a portion of an Advisory Client's investments and the income received by the Advisory Client with respect to such investments may be denominated in non-U.S. currencies. However, the Advisory Client's books will be maintained, and the contributions and distributions from the Advisory Client generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by an Advisory Client, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Advisory Client. In addition, an Advisory Client may incur costs in converting investment proceeds from one currency to another. Although KC may enter into hedging transactions designated to reduce such currency risks, there can be no assurance that KC will be able to do so successfully or cost-effectively, and KC may decide not to hedge against such risks.

In Kind Distributions. KC may distribute the proceeds of certain investments of an Advisory Client in kind. Any such distribution could put downward pressure on the price of the issuer's securities. An Investor that receives assets other than cash from an Advisory Client may incur costs and delays in converting those assets into cash.

Cyber Security Breaches and Identity Theft. The information and technology systems of KC, the portfolio companies, and their respective service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although KC expects that each of such persons has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, such person or an Advisory Client may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in such person's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including potentially personal information relating to investors (and the beneficial owners of investors). Such a failure could harm such person's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

Growth Equity Transactions. KC's strategy includes targeting growth-equity investments. While growth-

equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk than more established companies, which can result in substantial or total loss. The companies in which an Advisory Client seeks to invest may require substantial resources and efforts to enhance management teams, improve and expand marketing, sales and customer retention, optimize the company's financial model, improve the new product pipeline, develop or implement next generation software solutions that support the business, and pursue accretive acquisitions. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. In addition, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Advisory Client will be successful.

Public Company Holdings. An Advisory Client's investment may contain securities and debt issued by publicly held companies. Such investments may subject the Advisory Client to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Advisory Client to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the principals and increased costs associated with each of the aforementioned risks.

Debt Securities Risk. An Advisory Clients may make investments via debt or convertible debt securities. The ability of an Advisory Client to generate income through its loan investments is dependent upon payments being made by the borrower (portfolio company) underlying such loan investments. If a borrower is unable to make its payments on a loan, an Advisory Client may be greatly limited in its ability to recover any outstanding principal and interest under such loan. To the extent a loan is secured, there can be no assurance as to the amount of any funds that may be realized from recovering and liquidating any collateral or the timing of such recovery and liquidation and hence there is no assurance that sufficient funds (or, possibly, any funds) will be available to offset any payment defaults that occur under such a loan. If a borrower files for bankruptcy, any pending collection actions will automatically be put on hold and further collection action will not be permitted absent court approval. It is possible that a borrower's liability on its loan will be discharged in bankruptcy. An Advisory Client's loan investments will also be subject to interest rate risk. There is no minimum credit rating for the debt securities in which an Advisory Client may invest.

Covenant-Lite Loans Risk. Although an Advisory Client's loan investments are expected to include both incurrence and maintenance-based covenants, there may be instances in which an Advisory Client invests in covenant-lite loans, which means the obligation contains fewer maintenance covenants than other obligations, or no maintenance covenants, and may not include terms which allow the lender to monitor the performance of the borrower and declare a default if certain criteria are breached. An investment by an Advisory Client in a covenant-lite loan may potentially hinder the ability to reprice credit risk associated with the issuer and reduce the ability to restructure a problematic loan and mitigate potential loss. As a result, an Advisory Client's exposure to losses may be increased, which could result in an adverse impact on the Advisory Client's revenues and net income.

Direct Lending Risk. To the extent an Advisory Client is the sole lender in privately offered debt, it may be solely responsible for the expense of servicing that debt, including, if necessary, taking legal actions to

foreclose on any security instrument securing the debt. This may increase the risk and expense to the Advisory Client compared to syndicated or publicly offered debt.

Collateral Risk. The collateral and security arrangements in relation to secured obligations in which an Advisory Client may invest will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements that may restrict the giving of collateral or security by an obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the portfolio investments do not benefit from the expected collateral or security arrangements, this may adversely affect the value of or, in the event of default, the recovery of principal or interest from such portfolio investments. Additionally, if the recovery value of the collateral associated with the portfolio investments in which an Advisory Client invests decreases or is materially worse than expected by the Advisory Client, such a decrease or deficiency may affect the value of the portfolio investments. Accordingly, any such failure to properly create or perfect collateral and security interests relating to the portfolio investments could have a material adverse effect on the performance of the Advisory Client, and, by extension, the Advisory Client's business, financial condition, results of operations and the value of the interests in the Advisory Clients.

Operating Covenants. A borrower's failure to satisfy financial or operating covenants imposed by an Advisory Client or other lenders could lead to defaults and potential termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the borrower's ability to meet its obligations under the debt securities that the Advisory Client holds. An Advisory Client may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. Depending on the facts and circumstances of an Advisory Client's investments and the extent of the Advisory Client's involvement in the management of the borrower, upon the bankruptcy of a borrower, a bankruptcy court may re-characterize the Advisory Client's debt investments as equity investments and subordinate all or a portion of the Advisory Client's claim to that of other creditors. This could occur even though KC may have structured the investment as a senior secured loan.

Reliance on Portfolio Company Management. An Advisory Client may not control its portfolio companies, even though it may have board representation or board observation rights. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although KC will be responsible for monitoring the performance of each portfolio investment and KC intends to invest in companies operated by strong management, a portfolio company may make decisions that do not serve the Advisory Client's best interests, including, but not limited to, increasing the illiquidity or issuing dilutive equity capital and decreasing the value of the portfolio investments

Uncertainty of Financial Projections. KC will generally establish the capital structure of a portfolio investment on the basis of financial projections for such portfolio investment. Projections are inherently subject to uncertainty and factors beyond the control of KC and the portfolio investment. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

Limitations of Due Diligence. Due diligence may not reveal all of an investment's liabilities and may not reveal other weaknesses in its business especially in instances where a decision must be made on an expedited basis to take advantage of investment opportunities. Before making an investment in, or a loan to, a company, KC will assess the strength and skills of the company's management and other factors that it believes are material to the performance of the investment.

In making the assessment and otherwise conducting customary due diligence, KC will rely on the resources

available to it and, in some cases, an investigation by third parties. This process is particularly important and highly subjective with respect to newly organized entities because there may be little or no information publicly available about the entities.

An Advisory Client may make investments in companies which are not subject to public company reporting requirements including requirements regarding preparation of financial statements and will, therefore, depend upon the compliance by investment companies with their contractual reporting obligations. The financial information appearing in the financial statements of such companies may not reflect their financial position or results of operations in the way that they would be reflected if the financial statements had been prepared in accordance with U.S. GAAP or other generally accepted accounting standards and practices. As a result, the evaluation of potential investments and the ability to perform due diligence on and effective monitoring of investments may be impeded and the returns which KC expects an Advisory Client to achieve in respect of a particular investment may not be realized. In the event of fraud or misrepresentation by any company in which an Advisory Client invests or with respect to which an Advisory Client makes a loan, the Advisory Client may suffer a partial or total loss of the amounts invested in that company.

Risks Related to Equity Investments and Equity Derivatives. Some or a portion of an Advisory Client's capital is expected to be invested in equity securities, either as a stand-alone equity investment, or as an equity participation component of a debt investment (i.e., a warrant). An Advisory Client runs the risk that it may lose its entire investment in a warrant unless the Advisory Client exercises such warrant or enters into a closing transaction with respect to such warrant during the life of such warrant. If the price of the underlying security is not able to cover the warrant premium and transaction costs, the Advisory Client will lose part or all of its investments in such warrant. There is no assurance that an Advisory Client will be able to effect closing transactions at any particular time or at any acceptable price.

Prepayment Risk. The terms of underlying debt instruments in which an Advisory Client invests may allow portfolio companies to voluntarily prepay underlying debt instruments at any time, either with no or a nominal prepayment premium. This prepayment right could result in the portfolio company repaying the principal on an obligation held by an Advisory Client earlier than expected. This may occur upon the sale of the portfolio company or as a result of a refinancing of the debt due to the portfolio company's improved financial performance or a lower available cost of debt in the market. The yield and total profit generated by an Advisory Client may be affected by the rate of prepayment of its portfolio investments.

Leverage of Portfolio Investments. Advisory Client's portfolio investments are expected to include companies whose capital structures may already have significant leverage. Although KC will seek to use leverage in a manner it believes is prudent, the leveraged capital structure of such portfolio investments will increase the exposure of the portfolio investments to adverse economic factors such as fluctuating interest rates, downturns in the economy or deteriorations in the condition of the portfolio investment or its industry sector.

Bankruptcy Risk. Leveraged companies may experience bankruptcy or similar financial distress. The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. A bankruptcy filing by an issuer may adversely and permanently affect the issuer. If the proceeding is converted to liquidation, the value of the issuer may not equal the liquidation value that was believed to exist at the time of the investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor's return on investment can be adversely affected by delays until the plan of reorganization or liquidation ultimately becomes effective. The administrative costs of a bankruptcy proceeding are frequently high and are paid out of the debtor's estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, the Advisory Client's influence with respect to the class of securities or other obligations it owns may be reduced by increases in the number and amount of

claims in the same class or by different classification and treatment. In the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. In addition, certain claims that have priority by law (for example, claims for taxes) may be substantial.

PIK Interest. To the extent that an Advisory Client invests in loans with a payment in kind (“**PIK**”) interest component and the accretion of PIK interest constitutes a portion of the Advisory Client’s income, the Advisory Client will be exposed to risks associated with the requirement to include such non-cash income in taxable and accounting income prior to receipt of cash, including the following: (a) loans with a PIK interest component may have higher interest rates that reflect the payment deferral and increased credit risk associated with these instruments, and PIK instruments generally represent a significantly higher credit risk than coupon loans; (b) loans with a PIK interest component may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral; (c) the deferral of PIK interest increases the loan-to-value ratio, which is a fundamental measure of loan risk; and (d) even if the accounting conditions for PIK interest accrual are met, the borrower could still default when the borrower’s actual payment is due at the maturity of the loan.

Risks Associated with Potentially Distressed Securities. A portfolio company in which an Advisory Client has made an investment may become distressed, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Under such circumstances, there is no assurance that KC will correctly evaluate the value of the assets collateralizing the Advisory Client’s loans or the prospects for a successful reorganization or similar action. In any reorganization or restructuring of a portfolio company, the Advisory Client may lose its entire investment, may be required to accept cash or securities with a value less than the Advisory Client’s original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an Advisory Client’s investments may not compensate the investors adequately for the risks assumed.

Such troubled company and other investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by KC. To the extent that KC becomes involved in such proceedings, an Advisory Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by KC in an issuer’s reorganization proceedings could result in the imposition of restrictions limiting an Advisory Client’s ability to liquidate its position in the issuer.

Risks in Effecting Operating Improvements. In some cases, the success of an Advisory Client’s investment strategy will depend, in part, on the ability of the Advisor Client to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that an Advisory Client will be able to successfully identify and implement such restructuring programs and improvements.

Hedging Risks. In connection with the financing of certain investments, an Advisory Client may, but is not required to employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, and currency exchange rates. While hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while an Advisory Client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Advisory Client than if it had not entered into such hedging transactions.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or

military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Advisory Client and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Advisory Client and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Advisory Client's portfolio companies.

Risks Arising from Provision of Managerial Assistance. An Advisory Client will generally seek to obtain observation or visitation rights or the right to designate directors to serve on the boards of directors of portfolio companies. In addition, affiliates of KC may serve, from time to time, as officers or directors of portfolio companies. The foregoing rights and activities, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose KC, its affiliates, and the assets of an Advisory Client to regulatory action and/or claims by a portfolio company, its security holders, and its creditors. In addition, an Advisory Client may be prohibited from selling publicly traded securities of a portfolio company if KC is in possession of material, non-public information relative to such entity. While KC intends to manage Advisory Clients in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory action cannot be eliminated, and such events may have a significant adverse effect on the Advisory Client.

Director Liability. KC will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes KC's representatives, and ultimately the Advisory Client, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Advisory Client's investment activities.

Certain Litigation Risks. An Advisory Client may be subject to a variety of litigation risks, particularly due to the potential likelihood that one or more portfolio investments will face financial or other difficulties. Legal disputes, involving an Advisory Client or KC, may arise from the foregoing activities (or any other activities relating to the operation of the Advisory Client or KC) and could have a significant adverse effect on the Advisory Client.

Lender-Liability Considerations and Equitable Subordination. A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories. Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the portfolio investments, an Advisory Client could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender-liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (b) engages in other inequitable conduct to the detriment of such other creditors; (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other

creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination”. An Advisory Client could be subject to claims from creditors of an obligor that the portfolio investments held by the Advisory Client should be equitably subordinated.

Pandemic and Global Risk. KC’s investment advisory activities or an Advisory Client’s portfolio company operations could be adversely affected by events outside of KC’s control, such as natural disasters and/or health epidemics and pandemics. Beginning in late 2019, COVID-19, a public health epidemic, prompted precautionary government-imposed closures of certain travel and business. Global supply chains have been and may continue to be disrupted as long as the epidemic persists. KC or an Advisory Client’s portfolio companies may incur expenses, delays, or interruption of critical business functions relating to such events outside of its control, which could have a material adverse impact on its investment advisory business including, but not limited to, the financial conditions or prospects of its portfolio companies and the sourcing of new investment opportunities. Such material adverse impact could, in turn, adversely affect the performance of the Advisory Clients. This does not endeavor to be a full and complete set of risks related to the current health pandemic.

Operating Professionals. As disclosed in Item 5, KC expects to utilize on behalf of Advisory Clients and/or its portfolio companies Operating Professionals. Although KC intends to retain Operating Professionals members with a view to reducing costs to portfolio companies (and, ultimately, the Advisory Client) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such employment or retention. In addition, while KC intends to retain only such Operating Professionals that it believes provide services that will create value for the Advisory Client and/or its portfolio companies, there can be no assurance that no other service provider is more qualified to provide the applicable Services or could provide such Services at lesser cost.

Unfunded Pension Liabilities of Portfolio Companies. Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. An Advisory Client may invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Advisory Client may own an 80% or greater interest in such a portfolio company. If an Advisory Client were deemed to be liable for such pension liabilities, this could have a material adverse effect on financial and operating performance of the Advisory Client. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this filing, which may change in the future as the case law and guidance develops.

Privacy Law Compliance Risk. The adoption, interpretation and application of consumer, data protection and/or privacy laws and regulations (“Privacy Laws”) in the United States, Europe and elsewhere are often uncertain and in flux. Compliance with Privacy Laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Management Company, Advisory Clients and their portfolio companies, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Advisory Client performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Advisory Client and/or its portfolio companies are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the EU has enacted

the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including the Management Company and its affiliates and portfolio companies of the Advisory Client. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability on regulated entities.

Adequacy and Availability of Insurance. While an Advisory Client may seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact an Advisory Client's profitability.

Possibility of Fraud or Other Misconduct of Employees and Service Providers. Misconduct by (i) KC employees, (ii) an Advisory Client's portfolio company directors, officers or employees, and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts and business practices of the Advisory Client and cause significant losses to the Advisory Client. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Advisory Client, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm. Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to the Advisory Client. KC generally seeks to reduce the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

Disclosure of Confidential Advisory Client and Investor Information. It is expected that certain Investors will be subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding an Advisory Client, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. An Advisory Client may incur expenses in connection with responding to any such disclosure requests, even if the Advisory Client ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that Investors will have pursuant to the Governing Documents to maintain the confidentiality of Advisory Client information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise. KC may also, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such an Investor in certain circumstances. There can be no assurance that such information will not be disclosed by the Advisory Client, KC, the Management Company, their affiliates and personnel, portfolio companies or services providers to any of them including to comply with laws, regulations or policies to which they are or may become subject. Any public disclosure of Advisory Client information could have an adverse effect on the Advisory Client, its portfolio companies and its Investors, for example, by impacting the competitive positioning of a portfolio company or affecting the Advisory Client's competitive advantage in finding attractive investment opportunities.

Proprietary Rights. Many target portfolio companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that the Advisory Client or a portfolio company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a company's technologies. While piracy adversely affects portfolio company revenue, the impact on revenue from outside the U.S. is significant, particularly in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for software intellectual property rights could adversely affect portfolio companies.

Risks Relating to Intellectual Property Investments. An Advisory Client may invest in or acquire patent portfolios and other intellectual property rights, such as copyrights, trademarks, trade names, and other proprietary rights, as well as contractual arrangements, including licenses, including those pertaining to technology and life science products (which can also include processes and methods) and franchise rights. Investments in intellectual property related assets involve a high degree of business, financial, technological, regulatory and litigation risk which can result in substantial losses. Some of these risks relate to the assets themselves, although many of the risks relate to the products, processes, and methods utilizing these assets and to the companies that manufacture, employ or market these products, processes, and methods. The acquisition prices at which an Advisory Client acquire such assets will often be based, in part, on sales projections with respect to the related products, processes, and methods, which projections may prove to be inaccurate. To the extent a related product (e.g., a new technology product), process, or method has not yet received all applicable governmental approvals, there is a risk that the product, process, or method will not obtain such approvals or, if obtained, may be revoked due to previously unknown or undisclosed side-effects or complications. Additionally, government policies, interpretations and regulations applicable to intellectual property rights may change in ways that adversely affect the duration and/or scope of the intellectual property protections.

An Advisory Client may also invest in portfolio companies which own valuable intellectual property rights. The portfolio companies which own these intellectual property rights and/or manufacture and market the products, processes, and methods related to these rights may have limited operating histories, or insufficient management or marketing personnel. There is a risk that certain of these portfolio companies and the related Advisory Client may become involved in lawsuits and administrative proceedings requested by third parties with respect to the intellectual property rights that they own and the exploitation of patents or other intellectual property rights acquired by portfolio companies or an Advisory Client may necessitate litigation. There can be no assurance that efforts to enforce intellectual property related to any of the Advisory Client's investments will be successful in preventing infringement, or that efforts to defend the validity and enforceability of such rights will be successful. Policing unauthorized use of intellectual property is often difficult and the steps taken may not in every case prevent the infringement by unauthorized third parties. The use of contractual provisions, confidentiality procedures and agreements, and trademark, copyright, unfair competition, trade secret and other laws to protect the intellectual property rights and proprietary technology may not be adequate. As a result, these companies and the related Advisory Clients may expend considerable resources prosecuting and defending these lawsuits and proceedings, the intellectual property rights may be deemed invalid or unenforceable, the Advisory Client may not be able to exploit such intellectual property rights as expected and may suffer significant losses.

Moreover, any intellectual property litigation or administrative proceeding or claims brought by third parties against an Advisory Client or its portfolio company, whether or not meritorious, could result in substantial costs and diversion of resources, and there can be no assurances that favorable final outcomes will be obtained in all cases. The terms of any settlement or judgment may require the Advisory Client or its portfolio company to pay substantial amounts to the other party or cease exercising rights in such intellectual

property. In addition, the Advisory Client's portfolio company may have to seek a license to continue practices found to be in violation of a third party's rights, which may not be available on reasonable terms, or at all. The Advisory Client's financial condition may be adversely affected as a result.

Additionally, an Advisory Client may invest in intellectual property rights or companies who own intellectual property rights that are governed by non-U.S. jurisdictions. Non-U.S. jurisdictions may provide significantly less protection than the United States because (i) the non-U.S. jurisdictions may not have intellectual property laws, (ii) the non-U.S. jurisdictions may have laws which are inadequate to protect the intellectual property rights, or (iii) the foreign intellectual property laws may not be vigorously enforced. There is also the risk that a company invested in by an Advisory Client may not apply for or obtain protection in all of the non-U.S. jurisdictions where it does business.

Limited Life of Patents. Patents have a fixed term that is dependent on a number of factors, including when the applications on which the patent is based were originally filed with the USPTO or a similar agency in another jurisdiction, as applicable, and thus a particular patent may have a small number of years remaining on that term. Patents are also subject to periodic maintenance fees that must be paid to the USPTO or a similar agency in another jurisdiction, as applicable, to keep the patent in force. Failure to pay these fees could result in a patent's effective term being greatly reduced. Additionally, an Advisory Client or its portfolio company's inability or failure to innovate around its core technologies embodied in a patent could result in the loss of the ability to create or expand patent families and could thus result in less robust and shorter-term protection for the portfolio company's core technologies by limiting dependence on a single or limited number of patents.

Third-party Infringement Claims. The Advisory Client or a portfolio company may, from time to time, receive notices from others claiming the Advisory Client or such portfolio company has infringed their intellectual property rights. The number of these claims may grow because of constant technological change in the technology industry, increased user-generated content, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents. Additionally, portfolio companies may currently or in the future use "open source" software in their products or platforms. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a portfolio company has not complied with the conditions of one or more of these licenses. To resolve these and other intellectual property infringement claims, the Advisory Client or portfolio company may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers. These outcomes may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing and selling products that have infringing technologies. In some countries an injunction can be issued before the parties have fully litigated the validity of the underlying patents.

Software Code Protection. Source code can be critical to certain portfolio companies. If an unauthorized disclosure of a significant portion of source code occurs, a portfolio company could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with such portfolio company products by copying functionality, which could adversely affect revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms, and other malicious software programs that may attack portfolio company products and services). Costs for remediating the unauthorized disclosure of source code and other cyber-security breaches, may include, among other things, increased protection costs, reputational damage and loss of market share, liability for stolen assets or information and repairing system damage that may have been caused. Remediation costs may also include incentives offered to portfolio company customers or other business partners in an effort to maintain the business relationships after a security breach.

Anti-Corruption Laws & Anti-Boycott Considerations. KC is committed to complying with the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, an Advisory Client may be adversely affected or miss out on opportunities because of KC’s unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for an Advisory Client to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

National Security Investment Clearance. In some cases, investments by an Advisory Client involving the acquisition of or investment in a U.S. business (including a U.S. subsidiary of a company domiciled outside of the United States) may be subject to review and approval by the Committee on Foreign Investment in the United States (“CFIUS”). In the event that CFIUS reviews one or more investments, there can be no assurances that the Advisory Client will be able to maintain or proceed with such portfolio investments on acceptable terms. Additionally, CFIUS may seek to impose limitations on one or more such portfolio investments that may prevent the Advisory Client from maintaining or pursuing investment opportunities that the Advisory Client otherwise would have maintained or pursued, which could adversely affect the performance of the Advisory Client’s investment in such portfolio investments and thus the performance of the Advisory Client. Pending legislation to reform CFIUS would increase the scope of CFIUS’ jurisdiction to cover more types of investments and empower CFIUS to scrutinize more closely investments in U.S. technology companies. Certain Investors in an Advisory Client may be non-U.S. investors, and in the aggregate, may comprise a substantial portion of the Advisory Client’s aggregate commitments, which may increase the risks of such limitations being imposed. Moreover, other countries continue to strengthen their own national security investment clearance regimes, and the Advisory Client’s investments outside of the U.S. may also face delays, limitations, or restrictions as a result of compliance with these legal regimes.

Conflicts with Portfolio Companies. Officers and employees of KC may serve as directors and officers of certain portfolio companies and, in those capacities, will be required to make decisions that they consider in the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of an Advisory Client, and vice versa. Accordingly, in these situations there will be conflicts of interest between such individual’s duties as an officer or employee of KC and as a director or officer of such portfolio company. In addition, portfolio companies in which an Advisory Client invests may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment vehicles managed by KC or its affiliates that, although KC determines to be consistent with the requirements of such investment vehicles’ Governing Documents, may not have otherwise been entered into but for the affiliation with KC, and which may involve fees and/or servicing payments to entities affiliated with KC. In addition, portfolio companies of other investment vehicles managed by KC may do business with, support, or have other relationships with competitors of an Advisory Client’s portfolio company, and in that regard prospective investors should not assume that a company related to or otherwise affiliated with KC will only take actions that are beneficial to or not opposed to the interests of the Advisory Client and its portfolio companies.

Service Providers. Advisory Clients’ service providers (including lenders, brokers, attorneys and investment banking firms) may be investors in an Advisory Client and/or sources of investment opportunities and counterparties therein. This may influence KC in deciding whether to select such a service provider or have other relationships with KC.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in an Advisory Client. Prospective investors should read the Advisory Client’s Governing Documents and consult their own counsel and advisors before deciding to invest in an Advisory Client.

Item 9. Disciplinary Information

KC and its and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's or prospective client's evaluation of the KC's advisory business or the integrity of the KC's management.

Item 10. Other Financial Industry Activities and Affiliations

None of KC or its management persons are registered as a broker-dealer or a registered representative of a broker-dealer. In addition, KC and its management persons are not affiliated with any broker-dealer, bank or other financial services firm.

None of KC or any of its management persons are registered as a futures commission merchant, commodity pool operator or commodity trading advisor.

Relationships with Related Persons

As discussed in the section titled “Code of Ethics, Participation or Interests in Client Transactions and Personal Trading,” KC and its related persons may, directly or indirectly, invest in an Advisory Client or a portfolio company. KC and its related persons may spend substantially all of their business time on one or more of the Advisory Clients as required pursuant to the terms of each Advisory Client’s Governing Documents. Investors are requested to refer to the Governing Documents of each Advisory Client for more complete information on the requisite time commitments of KC and its related persons to the Advisory Clients.

Employees of KC and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which Advisory Clients invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of KC may also from time to time serve on the board of directors or a creditors committee of a portfolio company or be given access to confidential information relating to companies in which the Advisory Clients invest. As a result, the Advisory Clients may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the Advisory Clients.

KC does not recommend or select other investment advisers for its clients and receive compensation from such advisers in a manner that would create a material conflict of interest.

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

KC has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Advisers Act expressing KC’s commitment to ethical conduct. KC’s Code of Ethics describes its fiduciary duties and responsibilities to its Advisory Clients and sets forth KC’s (i) policies on receipt of gifts by employees and campaign contributions and (ii) practice of monitoring the personal securities transactions of supervised persons with access to client investment recommendations. Under KC’s Code of Ethics, all supervised personnel have a duty to act in the best interests of Advisory Clients and potential conflicts and violations of the Code of Ethics must be promptly reported to KC’s Chief Compliance Officer (“CCO”). All supervised personnel must acknowledge the terms of the Code of Ethics annually, or as amended. It is the expressed policy of KC that no person employed by KC shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

KC’s Code requires that anyone associated with its advisory practices with access to advisory recommendations (‘Access Persons’) provide annual securities holdings reports and quarterly transaction reports to KC’s CCO. The Code also requires such Access Persons to also receive approval from the CCO prior to investing in any initial public offerings or private placements.

Principals and employees of KC may in the future directly or indirectly own an interest in one or more Advisory Client, including certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles typically invest in one or more of the same portfolio companies as an Advisory Client. While principal and employee participation in co-investments can help align interests with those of KC’s Advisory Clients, co-investments could present conflicts of interest if not properly structured and monitored. As such, the Code seeks to establish monitoring of co-investments and personal trading by KC’s principals and employees.

KC requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. KC’s Code of Ethics also includes its policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Investors should refer to the Governing Documents for the Advisory Client for more detailed descriptions of additional conflicts and risk factors. KC will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Item 12. Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Advisory Client to be set forth in such Advisory Client's Governing Documents, KC has discretionary authority to determine the selection of, and commissions paid to, brokers.

The Advisory Clients expect to invest primarily in privately issued securities of portfolio companies. Thus, commissions are not ordinarily payable in connection with such investments.

Although KC typically does not expect to utilize broker-dealers to effect portfolio investments, shares of certain companies may be received by KC's Advisory Clients as part of a general distribution. KC may sell the securities received in share distributions such that the proceeds can be distributed to the Advisory Clients' Investors.

In selecting broker-dealers to effect securities transactions, KC will seek to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds and such other factors as KC considers relevant and beneficial to the Advisory Clients.

KC does not expect to use brokerage commissions (or markups or markdowns) to obtain research or other products or services (so-called "soft dollars"). As such, KC has no incentive to select or recommend a broker or dealer based on its interest in receiving the research or related services, rather than on an Advisory Client's interest in receiving best execution.

Item 13. Review of Accounts

The investments made by the Advisory Clients are primarily private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, KC monitors on a quarterly basis, companies in which the Advisory Clients invest on a periodic basis in the context of each Advisory Client's (i) adherence to the investment objectives and guidelines as set forth in the Governing Documents of each Advisory Client; and (ii) Advisory Client's investment performance, among others.

Each Advisory Client generally will provide to its investors (i) unaudited financial statements for each quarter of each fiscal year commencing with the first fiscal quarter in which the Advisory Client delivers a capital call notice, (ii) annual tax information necessary for each investors' U.S. tax returns, where applicable and (iii) descriptive investment information for each portfolio company annually.

Investors are requested to refer to the Governing Documents of each Advisory Client for further information on the reports provided by a particular Advisory Client to its investors.

Item 14. Client Referrals and Other Compensation

From time to time, KC may enter into referral arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an investor in an Advisory Client. Any fees payable to any such placement agents generally will be borne by KC directly or indirectly through an offset against the Management Fee or otherwise, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, generally will be borne by the relevant Advisory Client(s). As of the date of this filing, KC does not have any such agreements.

KC endeavors at all times to put the interests of the Advisory Clients first as part of KC's fiduciary duty. Nevertheless, the receipt of compensation by the placement agents creates a potential conflict of interest and may affect the judgment of placement agents when making referrals to KC and Advisory Clients. Moreover, a potential conflict of interest may arise between the interests of the Advisory Client investors in receiving future referrals to the Advisory Clients.

Please see Item 5 above regarding compensation received from portfolio companies.

Item 15. Custody

KC does not have physical custody of any client assets. KC may be deemed to have custody of the assets of certain Advisory Clients as a result of its authority over the Advisory Clients.

It is KC's policy to cause each Advisory Client with assets over which KC is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Advisory Client, KC will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Advisory Client to all investors promptly after completion of the audit.

Item 16. Investment Discretion

Subject to the investment objectives, policies and restrictions of each Advisory Client as set forth in the Governing Documents of such Advisory Client, KC may have discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of certain Advisory Clients, including the selection of, and commissions paid to, broker-dealers where applicable.

KC currently manages Advisory Clients for which it does not have ongoing discretionary authority to execute transactions without the consent of the client.

Item 17. Voting Client Securities

KC Advisory Clients do not expect to invest in securities that carry proxy voting rights or have class action claims. Should KC become aware of a proxy vote when an Advisory Client is invested in a public security, KC will seek to vote such proxy in the best interest of such Advisory Client in accordance with KC's proxy voting policy which has been adopted in accordance with Rule 206(4)-6 under the Advisers Act. In all instances, the reason for the decision as to how to vote a proxy and a record of the vote will be retained by KC.

Investors may contact KC at (650) 800-3065 to obtain a copy of its proxy voting policy or to obtain any other information with respect to proxy votes, policies, and procedures.

KC will assess on a case-by-case basis whether it will participate in class action lawsuits on behalf of an Advisory Client in the rare instance that they should arise.

Item 18. Financial Information

KC does not require the prepayment of management fees more than six months in advance, has not been subject to bankruptcy, and is not aware of any financial condition that is required to be disclosed under this item.