

Part 2A of Form ADV: Firm Brochure

KKR ASSET MANAGEMENT LLC

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This brochure provides information about the qualifications and business practices of KKR Asset Management LLC (“**KAM**”). If you have any questions about the contents of this brochure, please contact us at (415) 315-3620. 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. KAM is registered as an investment adviser with the SEC. This registration does not, however, imply a certain level of skill or training of any KAM personnel.

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

Item 2 Material Changes

KAM's most recent update to Part 2 (then "Part II") was made in June 2010. In July 2010, the SEC made significant changes to the requests in, and structure of, Form ADV Part 2. This brochure reflects those changes.

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Item 4 **Advisory Business**

KKR Asset Management LLC (“**KKR Asset Management**”) is a Delaware limited liability company founded in August 2004 with \$15.9 billion in assets under management as of December 31, 2010, managed on a discretionary basis. KKR Asset Management advises investment funds, collateralized loan obligation vehicles (“**CLOs**”), a publicly-traded specialty finance company and other institutional investors pursuing primarily fixed-income, credit (including mezzanine debt) and special situations investment strategies and that co-invest in portfolio companies and other assets held by funds or other accounts managed by KKR Asset Management or Kohlberg Kravis Roberts & Co. L.P. (“**KKR**”). KKR Asset Management is affiliated with KKR and its subsidiaries, which operates under the name of “**KKR**” and advises private equity funds and other investment vehicles that invest capital for long-term appreciation, either through controlling ownership of companies or strategic minority positions or that invest in infrastructure or natural resources assets. KAM is also affiliated with KKR’s capital markets business operated through a KKR-affiliated registered broker-dealer and its affiliates and their respective subsidiaries. KAM engages affiliated broker-dealers primarily to underwrite and/or distribute the securities of certain KAM Funds (defined below), and to arrange and/or syndicate investment transactions in which KAM Funds may participate (please see Item 10 for additional discussion of KAM’s affiliated broker-dealers). KKR Asset Management does not manage client assets on a non-discretionary basis, although certain clients have consent rights with respect to certain investments.

Ownership/Structure

KKR Asset Management is wholly-owned by KKR. KKR is a subsidiary of KKR Management Holdings L.P. (“**KKR Management Holdings**”) and an indirect subsidiary of KKR & Co. L.P. (the “**Public Company**”), which became listed on the New York Stock Exchange on July 15, 2010. KKR Management LLC serves as the general partner of the Public Company and indirectly controls the Public Company’s business. It does not hold any economic interests in the Public Company. Public unit holders hold 100% of the limited partner interests in the Public Company, although KKR Holdings L.P. (“**KKR Holdings**”) holds special voting units in the Public Company. As of December 31, 2010, the Public Company indirectly held approximately 32% of the limited partnership interests in KKR Management Holdings and KKR Fund Holdings L.P. (together, the “**Group Partnerships**”), which hold the combined business of KKR and its affiliates. As of December 31, 2010, the remaining limited partnership interests in the Group Partnerships were held indirectly by KKR Holdings. KKR Holdings is owned by certain KKR employees and operating consultants and their related persons.

Nature of KKR Asset Management’s Clients

KKR Asset Management generally provides investment management and administrative services through wholly-owned and controlled management entities established with respect to one or more clients for operational and other purposes (“**KAM Managers**”). KKR Asset Management and the KAM Managers generally provide these services (i) through affiliated general partners or managing members (“**KAM GPs**,” and, collectively with KKR Asset Management and the KAM Managers, “**KAM**”) of investment funds, CLOs, a publicly-traded specialty finance company and dedicated investment vehicles established for institutional investors and certain high net worth investors sponsored by KAM (“**KAM Funds**”), or (ii) directly to other institutional clients, including pension plans (“**Other Clients**”). KAM Funds are typically U.S. and non-U.S. investment limited partnerships, companies, limited liability companies and other vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”). The securities of the KAM Funds are not, and are not required to be, registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) with the exception of KKR Financial Holdings LLC (“**KFN**”), which is a U.S. publicly traded finance company. For purposes of this Brochure, the term “KAM Fund” includes KFN.

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

KAM's Investment Mandates

The terms upon which KAM serves as investment manager of a KAM Fund or Other Client are established at the time each KAM Fund or Other Client relationship is established and are generally set out in an investment management agreement and/or limited partnership agreement or other governing document entered into by KAM with respect to the relevant KAM Fund or Other Client, and disclosed in the offering documents for the relevant KAM Fund, as applicable. These terms (including investment restrictions and termination provisions), which vary as among each KAM Fund and Other Client, potentially restrict KAM's advice concerning investment in certain securities or types of securities, geographies and leverage.

Item 5 Fees and Compensation

General

KAM receives management fees in connection with the investment management and administrative services it provides to KAM Funds and Other Clients and may also receive performance fees, carried interest allocations or other performance-based compensation. Management fees and/or any other compensation payable by any KAM Fund or Other Client are generally negotiated with the KAM Fund or Other Client (or their underlying investors) and will depend, among other factors, on the strategy pursued by the KAM Fund or Other Client and the amount of assets being placed under management with KAM.

Management Fees

Typically, KAM charges management fees at an annual rate of between 0.15% and 2.00% of the invested capital or the net asset value of the relevant portfolio or the capital committed by the relevant client depending, in particular, on the strategy of the relevant KAM Fund or Other Client. Management fees are paid monthly or quarterly in advance or arrears, depending on the KAM Fund or Other Client. KAM may deduct management fees directly from a KAM Fund's assets or may make capital calls on investors in certain KAM Funds for the amount of the management fees. KAM generally invoices Other Clients for management fees.

Where management fees are paid in advance in respect of a KAM Fund or Other Client, the terms applicable to the relevant KAM Fund or Other Client may not always contemplate repayments of fees to the extent that KAM's management services terminate prior to the end of the relevant payment period, particularly with respect to closed-end KAM Funds. Management fees paid by an investor in such KAM Funds generally impacts KAM's performance related compensation.

Management fees payable to KAM by certain KAM Funds may be reduced by certain other compensation received by KAM or its affiliates that relate to the relevant KAM Fund and its activities or by certain organizational, offering and other expenses borne by the KAM Fund. Certain KAM Funds may invest in securities issued by other KAM Funds. Management or advisory fees or performance-based compensation received by KAM from the other KAM Fund may not be rebated to the investing KAM Fund.

Performance-Related Compensation

KAM may also receive performance fees and carried interest allocations or distributions or other performance related compensation from KAM Funds of up to 25% of any annual increase in the net asset value of the portfolio or the net realized returns of each portfolio investment of the relevant KAM Fund, depending on its strategy and structure. Such performance related compensation may be subject to high water marks, hurdles and/or claw-backs, depending, among other things, on the structure and strategy of the relevant KAM Fund. Carried interest allocations and other performance related compensation paid to KAM is calculated in compliance with Rule 205-3 of the Advisers Act unless not required to be so calculated.

Management fees, carried interest allocations, performance fees and/or other compensation payable to KAM by KAM Funds or Other Clients are established by KAM at the time of the establishment of the KAM Fund or the beginning of the advisory relationship with an Other Client and as indicated above, vary among each KAM Fund and Other Client. Specific details of such compensation and its method of calculation are set out in the offering materials, disclosure documents, investment management agreements and/or governing documents of the relevant KAM Funds and Other Clients. Such compensation, once the relevant KAM Fund or Other Client account has been established and commenced operations, is generally not negotiable although KAM may, from time to time, enter into side letter agreements or other arrangements with specific investors in KAM Funds whereby such investors receive rebates or reductions of management fees or other compensation otherwise payable with respect to their investments to KAM.

Other Compensation

Certain KAM Funds, Other Clients or their portfolio companies may also incur other fees payable to KAM, KKR or their respective affiliates, depending on the nature of the KAM Fund and its portfolio activities. For example, KKR or its affiliates may receive monitoring fees in exchange for providing portfolio companies of certain KAM Funds with management, consulting and other services and may also receive financial advisory fees in connection with specific transactions. These may, depending on the KAM Fund, be shared with the relevant KAM Fund and its investors through reductions or off-sets against management fees that would otherwise be applicable as described in its offering materials, disclosure documents and/or governing documents. Certain officers and employees of KAM (“**Employees**”) currently do and may in the future also receive directors’ fees for serving on the boards of KAM Fund portfolio companies. These directors’ fees are generally not offset against KAM Fund management fees and may be retained in whole or in part by the Employees.

KAM and its affiliated broker dealers may receive fees as part of their respective roles in arranging and/or syndicating the issuance of securities or other instruments of issuers alongside its affiliated broker-dealers. These fees may, depending on the KAM Fund or Other Client, be shared with the relevant KAM Fund or Other Client through reductions or off-sets against management fees that would otherwise be applicable as described in its offering materials, disclosure documents and/or governing documents. KAM will retain the balance of any such fees not allocated to the relevant clients. KAM may also earn fees as a result of its subsidiaries’ providing loan servicing services to certain KAM Funds or Other Clients that invest in loan participations (or to related portfolio companies or lending syndicates), which fees may or may not be shared with the relevant KAM Funds or Other Clients, depending on the applicable governing documents.

Other Expenses

KAM Funds and Other Clients will also bear legal, auditing, and accounting expenses (including internal accounting), fees payable for administration and other professional expenses, certain KAM operational expenses as agreed to by a particular KAM Fund, research expenses and investment and brokerage expenses such as commissions, markups or markdowns on securities, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, expenses of any consultants and due diligence expenses (including related travel expenses), any insurance, indemnity, or litigation expense, certain taxes, expenses of any advisory committee established in respect of a KAM Fund and its members, costs of any information meetings of a KAM Fund's investors, and any fees or other governmental charges levied against a KAM Fund and any other expenses reasonably related to the purchase, sale or transmittal of portfolio assets as determined by KAM in its sole discretion. Certain fees, including those attributable to audit, accounting, administrative services and loan servicing may be paid to an affiliate of KAM. The organizational expenses of KAM Funds (including expenses associated with the offering of KAM Funds and sale of their interests such as commissions, costs, fees, and expenses of placement agents or finders and legal, accounting, filing, capital raising, travel and accommodation expenses, printing expenses and other similar costs) are generally paid by the KAM Fund. In addition, certain KAM Funds (and their underlying investors) pay broken deal expenses.

Affiliated U.S. and non-U.S. broker-dealers of KAM may participate in underwriting syndicates and/or selling groups with respect to the securities of portfolio companies of certain KAM Funds or Other Clients or may otherwise be involved in the private placement of such securities and/or may provide or arrange lines of credit or other financing or provide capital advisory services to such portfolio companies. KAM Funds and Other Clients will indirectly bear the costs of any underwriting/selling fees generated as part of this activity. None of KAM, KKR, their respective supervised persons or their respective affiliates will generally have the right to share in such compensation (see also response to Item 12 for more information regarding brokerage costs borne by KAM Funds and Other Clients).

KAM Funds and Other Clients may bear the cost of consulting services provided by KKR Capstone LLC and its affiliates ("**KKR Capstone**"), which provides consulting services to KAM, its affiliates and certain KAM Fund portfolio companies. KKR Capstone operates under several consulting agreements with KKR and uses the name "KKR" under license from KKR. KKR Capstone is owned and controlled by its senior management. Fees and other compensation received by KKR Capstone, which are not shared with KAM or KKR, are not described in this Brochure.

Neither KAM nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

As noted in the response to Item 5 above, KAM may receive, either directly or indirectly, performance-based compensation from KAM Funds and Other Clients. KAM has an incentive to favor, or take increased investment risk with respect to KAM Funds or Other Clients from which it receives performance-based compensation over KAM Funds or Other Clients from which it receives only asset-based fees (or with respect to certain co-investment vehicles, no fees). Similarly, KAM has an incentive to favor, or take increased investment risk with respect to KAM Funds and Other Clients from which it receives higher performance-based compensation over KAM Funds or Other Clients from which lower performance-based compensation is received. KAM has in place policies and procedures to address this conflict, including policies and procedures designed to ensure allocation of trades and securities to client accounts on a fair and equitable basis, taking into account the client's investment objectives. These policies and procedures are described in more detail below in Item 11.

KAM manages certain feeder funds that have been established primarily for the benefit of employees of KAM and its affiliates, which are not subject to management fees or carried interest allocations. As the investment activities of a feeder fund are implemented indirectly through the other KAM Fund in which it invests, KAM does not view these arrangements as giving rise to the types of conflicts of interest described above.

Item 7 Types of Clients

KAM generally provides investment management and administrative services, as described above in response to Item 4, to KAM Funds and Other Clients. Investment in KAM Funds is generally only available to institutional investors and certain high net worth investors that are “accredited investors” and “qualified purchasers” within the meaning of the U.S. Securities Act of 1933, as amended and the U.S. Investment Company Act of 1940, as amended, respectively.

KAM Funds may have a specified minimum investment as set forth in their offering documentation, limited partnership agreement or other governing documents. Such minimums are typically subject to discretion, on the part of KAM, to permit investment of a smaller amount generally or with respect to any investor in the relevant KAM Fund. KAM may agree to specified minimum account values with Other Clients on a case-by-case basis, as set forth in the investment management agreements with the Other Clients.

KAM Funds, Other Clients and KAM Fund investors, are generally U.S. and non-U.S. institutional investors such as governmental and corporate pension and profits sharing plans, insurance companies, sovereign wealth funds, and certain high net worth individuals. Additionally, KAM Employees and other persons associated with KAM and/or its affiliates, and KKR out of its proprietary accounts, may make capital contributions to KAM Funds.

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

Investment Strategies and Methods of Analysis

The investment strategies employed by KAM in respect of the KAM Funds and Other Clients focus, primarily, on fixed-income, credit (including mezzanine debt) and special situations investments. In pursuit of these strategies, KAM may, on behalf of KAM Funds and Other Clients, invest in a broad range of securities and other financial instruments including: U.S. and non-U.S. debt securities including public and privately placed corporate and government bonds and other debt securities and equity securities, convertibles, asset backed and other structured debt securities, emerging market debt, warrants, bank loans and participations in bank loans, repurchase agreements, foreign currency and interest rate forward contracts, swap agreements, futures contracts on intangibles and interests in partnerships investing in oil and gas interests and other derivative or synthetic investment instruments, and joint venture equity investments. Certain KAM Funds may also accommodate certain private equity co-investments along side KKR private equity funds.

KKR employs various methods of analysis in the implementation of the above investment strategies, including charting, cyclical, fundamental and technical methods. KAM employs both “top-down” and “bottom-up” analyses when making investments. KAM’s top down analysis involves a macro analysis of relative asset valuations, long-term industry trends, business cycles, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. KAM’s bottom-up analysis includes a rigorous analysis of the credit fundamentals and capital structure of each credit considered for investment and a thorough review of the impact of credit and industry trends and dynamics and dislocation events on such potential investment.

KAM utilizes multiple sources of information in analyzing investments, including financial newspapers and magazines, inspections of corporate activities, research material prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. KAM also uses industry magazines, third party consultants, regulatory filings filed with non-U.S. regulators, its global network of contacts at major companies and corporate executives, commercial and investment banks, financial intermediaries, other investment and advisory institutions and its direct and indirect contacts through its affiliation with KKR. KAM personnel may participate in creditors' committees, steering committees or on the boards of directors of portfolio companies, which will also be a source of information in respect of such companies.

Material Risks of Significant Investments Strategies

Below is a summary of the material risks of significant investment strategies and methods of analysis employed by KAM. The offering documents or other governing documents for each KAM Fund and investment management agreements entered into in respect of Other Client accounts will include additional information on these risks, and should be reviewed by any participating investor. An investment in a KAM Fund or Other Client account involves a degree of risk. There can be no assurance that the investment objectives of any KAM Fund or Other Client will be achieved, or that investors in any KAM Fund or any Other Client will receive a return of capital. Investors in any KAM Fund or any Other Client should be prepared to bear the loss of their investment.

Debt Securities KAM invests in various types of debt securities and instruments on behalf of the KAM Funds and Other Clients. In the absence of appropriate hedging measures, changes in interest rates generally will cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. Commercial bank lenders may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements.

KAM may invest in loans and other forms of debt that are not marketable securities. Loans are usually not securities, are usually not listed on a recognized exchange and are usually less liquid or not liquid. Loans may be subject to transfer or assignment restrictions and approvals, and are generally treated and traded differently to debt securities. In addition, a loan may involve a syndication with members of the syndicate having different and sometimes superior rights to those of KAM and its clients. Where KAM invests as a sub-participant in syndicated debt, it may be subject to certain risks as a result of having no direct contractual relationship with the underlying borrower and will be generally dependent on the lender to enforce its rights and obligations and will not have any direct rights against the underlying borrower, any direct rights in the collateral, if any, securing such borrowing, or any right to deal directly with such borrower.

Credit Risk Debt Investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments, which amounts may not be satisfied out of available collateral, or satisfied in a timely manner. Certain investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and KAM may not have priority over other creditors. KAM's right to payment and any security interests may be subordinated to those of a senior lender. The principal amount of certain investments may remain outstanding and at risk until the maturity of the investment, in which case the relevant portfolio company's ability to repay the principal may be dependent upon a liquidity event or the long-term success of the company. The credit worthiness of portfolio companies may deteriorate as a result of a variety of factors that may adversely affect their business.

High Yield Securities KAM invests in debt securities and instruments that are classified as “higher-yielding” (and, therefore, higher-risk) investments. In most cases, such investments will be rated below investment grade by recognized rating agencies or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments. These investments are generally not exchange-traded and, as a result, trade in the over the counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, the KAM may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. The market for high yield securities has recently experienced periods of significant volatility and reduced liquidity. The market values of certain of these lower-rated and unrated debt investments tend to reflect individual corporate developments to a greater extent and tend to be more sensitive to economic conditions than those of higher-rated investments. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. Major economic recessions such as those recently (and in some cases, currently) experienced globally may disrupt severely the market for such securities, and may have an adverse impact on the value of such securities and the ability of the issuers of such securities to repay principal and interest thereon, thereby increasing the incidence of default of such securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these high yield debt securities.

Counterparty Risk Certain KAM investments will be exposed to the credit risk of the counterparties with which, or the dealers, brokers and exchanges through which, KAM deals, whether in exchange-traded or over the counter transactions. KAM Funds and Other Clients may be subject to the risk of loss of assets on deposit or being settled or cleared with a broker in the event of the broker’s bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, the bankruptcy of an exchange clearing house or the bankruptcy of any other counterparty. Certain investments may be structured through the use of over the counter options and swaps or other indirect investment vehicles such as structured products. Such transactions may be entered into by KAM with a small number of counterparties resulting in a concentration of counterparty risk. The exercise of counterparty rights under such arrangements, including forced sales of securities, may have a significant adverse impact on a KAM Fund or Other Client.

Distressed Debt, Litigation, Bankruptcy and Other Proceedings

KAM Funds and Other Clients may be invested in debt securities and other obligations of companies that are experiencing significant financial or business distress. Investments in distressed securities involve a material risk of involving a KAM Fund or Other Client in a related litigation. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. Litigation expenses, including payments pursuant to settlements or judgments, generally will be borne by the relevant KAM Funds and Other Clients.

Investments may be made in companies involved in bankruptcy proceedings. There are a number of significant risks when investing in companies involved in bankruptcy proceedings. Many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. A bankruptcy filing may have adverse and permanent effects on a company. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. In addition, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors and

administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors.

Certain debt securities invested in by KAM could be subject to U.S. federal, state or non-U.S. bankruptcy laws or fraudulent transfer or conveyance laws, if such securities were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If a court were to find that the issuance of the securities was a fraudulent transfer or conveyance, the court could void the payment obligations under the securities, further subordinate the securities to other existing and future indebtedness of the issuer or require a KAM Fund or Other Client to repay any amounts received by it with respect to the securities. If KAM is found to have interfered with the affairs of a company in which a KAM Fund or Other Client holds a debt investment, to the detriment of other creditors or shareholders of such company, the KAM Fund or Other Client may be held liable for damages to injured parties or a bankruptcy court. Moreover, such debt may be disallowed or subordinated to the claims of other creditors or treated as equity. Where KAM has representatives on the boards of a portfolio company, such involvement may also prevent KAM from freely disposing of its debt investments and may subject the relevant KAM Fund or Other Client to additional liability or result in re-characterization of its debt investments as equity.

Mezzanine Debt Securities Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of KAM to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt securities are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt securities have historically been higher than for investment grade securities. In the event of the insolvency of a portfolio company or similar event, the investment therein will be subject to fraudulent conveyance, subordination and preference laws. Mezzanine debt investments may also be subject to early redemption features, refinancing options, prepayment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation earlier than expected.

Private/Illiquid Investments KAM Funds and Other Client accounts may invest significantly in securities that are not publicly traded or for which an active secondary market does not otherwise exist. In many cases, KAM Funds or Other Clients may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise until such securities are publicly registered under applicable securities laws, or an exemption from such registration is available. Even where securities are publicly traded, large holdings of such securities can often be disposed of only over a substantial length of time, exposing the investment returns of the relevant KAM Funds or Other Clients to risks of downward movement in market prices during the intended disposition period. Accordingly, under certain conditions, KAM Funds or Other Clients may be forced to either sell securities at lower prices than they had expected to realize or defer sales that they had planned to make, potentially for a considerable period of time.

Convertible Securities The value of a convertible security is a function of its investment value and its conversion value. The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline by the credit standing of the issuer and other factors. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's

governing instrument. If a convertible security held by KAM is called for redemption, the relevant KAM Fund or Other Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party, which may adversely effect it.

Credit Default Swaps KAM may invest in credit default swaps for hedging and investment purposes. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views.

Public Securities KAM may invest in publicly traded debt and equity securities. Such investments are subject to the risks inherent in investing in public securities. KAM may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making a privately-negotiated investment and may not have the same access to information in connection with public debt or equity investments, either when investigating a potential investment or after making an investment, as compared to a privately-negotiated investment.

Market and Economic Risks The success of KAM's investment strategies may be materially affected by market, economic and political conditions globally and in the jurisdictions and sectors in which KAM invests or operates, including factors affecting interest rates, the availability of credit, currency exchange rates and trade barriers. These factors are outside the KAM's control. In particular, economic and financial market conditions began to significantly deteriorate approximately two and a half years ago as compared to prior periods. Global financial markets experienced considerable declines in the valuations of debt and equity securities, an acute contraction in the availability of credit and the failure of a number of leading financial institutions. As a result, certain government bodies and central banks worldwide, including the U.S. Treasury Department and the U.S. Federal Reserve, undertook unprecedented intervention programs, the effects of which remain uncertain. The U.S. economy has experienced and continues to experience relatively high levels of unemployment and constrained lending. KAM's investment strategies rely in part on the continuation of certain trends and conditions observed in the market for debt securities and the larger financial markets and, in some cases, the improvement of such conditions. Although certain financial markets have shown some recent signs of the improvement, to the extent economic conditions experienced over the last two and half years continue, they may adversely impact KAM's investments.

Availability of Investment Opportunities; Competition The activity of identifying, completing and realizing the types of investment opportunities targeted by KAM is highly competitive and involves a significant degree of uncertainty. KAM competes for investment opportunities with other private investment vehicles, as well as the public debt markets, individuals and financial institutions, including investment banks, commercial banks and insurance companies, business development companies, strategic industry acquirers, hedge funds and other institutional investors, investing directly or through affiliates. Such supply-side competition may adversely affect the terms upon which investments can be made by KAM. Moreover, private equity sponsors unaffiliated with KAM or KKR may be reluctant to present investment opportunities to the KAM because of its affiliation with KKR.

Leverage KAM's investments are expected to include portfolio companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. A leveraged entity may be subject to restrictive covenants imposed by other lenders restricting its activity, or may be limited in making strategic acquisitions or obtaining additional financing. In addition, leveraged entities may be subject to restrictions on making interest payments and other distributions. If an event occurs that prohibits a portfolio company from making distributions for a particular period, this may affect the levels and timing of KAM's returns.

Minority Investments KAM Funds and Other Clients will typically invest in securities issued by companies that KAM does not control (notwithstanding that certain KAM Funds and Other Clients may invest in portfolio companies that are controlled by private equity funds managed by KKR). Such investments are subject to the risk that the relevant portfolio company may make business, financial or management decisions that KAM does not agree with, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the interests of KAM's clients.

Currency Risk Although most of the KAM Funds and Other Client accounts are denominated in U.S. dollars, investments that are denominated in a non-U.S. currency will be subject to the risk that the value of the relevant investment will change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. KAM may employ hedging techniques to minimize these risks, but can offer no assurance that such strategies will be effective.

Non-U.S. Investments Investing in companies that are based in countries outside the United States and, in particular, in emerging markets such as Asia, Latin America and the Middle East, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include (i) the possibility of exchange control regulations, restrictions on repatriation of profit on investments or of capital invested, political and social instability, nationalization or expropriation of assets; (ii) the imposition of non-U.S. taxes; (iii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (iv) limitations on borrowings to be used to fund acquisitions or dividends; (v) political hostility to investments by foreign or private investment fund investors; (vi) less liquid markets; (vii) reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms; (viii) adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another; (ix) higher rates of inflation; (x) less available current information about an issuer; (xi) higher transaction costs; (xii) less government supervision of exchanges, brokers and issuers; (xiii) less developed bankruptcy and other laws; (xiv) difficulty in enforcing contractual obligations; (xv) lack of uniform accounting, auditing and financial reporting standards; (xvi) less stringent requirements relating to fiduciary duties; (xvi) fewer investor protections; and (xvii) greater price volatility.

Complex Transactions/Contingent Liabilities/Guarantees and Indemnities KAM often pursues complex investment opportunities, which may involve substantial business, regulatory or legal complexity. Such complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Additionally, in connection with certain transactions, a KAM Fund or Other Client may be required to make representations about the business and financial affairs of a portfolio company, provide guarantees in respect of payments by portfolio companies and other third parties and provide indemnities against losses caused by portfolio companies and other third parties. These arrangements may result in the incurrence of contingent liabilities by a KAM Fund or Other Client, even after the disposition of an investment and ultimately in material losses.

Short Selling KAM may engage in short selling activities on behalf of certain KAM Funds for hedging or speculative purposes. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the security to rise further, thereby exacerbating the loss.

Hedging Transactions/Derivatives When managing exposure of certain KAM Funds or Client Accounts to market risks, KAM may employ hedging strategies or certain forms of derivative instruments to limit exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates. The scope of such risk management activities varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. However, such activities can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of the position. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price.

The success of any hedging or other derivative transactions that KAM enters into generally will depend on its ability to correctly predict market changes. As a result, while KAM may enter into such transactions in order to reduce the exposure of a KAM Fund or Other Client to market risks, unanticipated market changes may result in poorer overall investment performance than if the hedging or other derivative transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, KAM may not seek or be successful in establishing a perfect correlation between the instruments used in hedging or other derivative transactions and the positions being hedged. An imperfect correlation could prevent KAM from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit the exposure of a KAM Fund or Other Client against all changes in the value of its investments, because the value of investments is likely to fluctuate as a result of a number of factors, some of which will be beyond KAM's control or ability to hedge.

Oil & Gas KAM Funds have made and may continue to make certain investments in the oil and gas industries. These industries present inherent environmental and safety risks and are subject to stringent and complex foreign, federal, state and local environmental laws, ordinances and regulations. Under these laws, ordinances and regulations, regardless of fault, owners and operators of oil and gas properties and facilities can be held jointly and severally liable for the cost of remediating contamination and providing compensation for damages to natural resources. The oil and gas industries also present inherent risk of personal and property injury.

Material Risks of Significant Methods of Analysis

KAM seeks to conduct reasonable and appropriate due diligence based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to identify possible risks associated with that investment. When conducting due diligence and making an assessment regarding an investment, KAM relies on available resources, including information provided by the target of the investment and, in some circumstances, third-party investigations. As a result, the due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, KAM cannot be certain that due diligence investigations with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. Also, KAM cannot be certain that its due diligence investigations will result in investments

being successful or that the actual financial performance of an investment will not fall short of the financial projections used when evaluating that investment.

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

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

Broker-Dealers

KAM is an affiliate of KKR Capital Markets LLC, which is a U.S. registered broker-dealer. KAM is also affiliated with KKR Capital Markets Limited located in London, which is authorized by the U.K. Financial Services Authority to conduct broker-dealer activities in the United Kingdom, with KKR Capital Markets Japan Limited, which is licensed by the Japanese Financial Supervisory Agency to conduct limited securities private placement activities, with KKR Capital Markets Asia Limited, which is licensed by the Hong Kong Securities and Futures Commission to conduct certain broker-dealer activities and with KKR India Financial Services Private Limited, which is licensed by the Reserve Bank of India as a non-deposit taking non-banking financial company that is authorized to undertake lending and financing activities. In addition, KAM is affiliated with KKR Australia Pty Limited and KKR MENA Limited, which hold financial services licenses from the Australian Securities and Investment Commission and the Dubai Financial Services Authority, respectively, permitting them among other things to conduct capital raising and other broker-dealer activities (collectively, the “**Affiliated Brokers**”).

Certain of the Affiliated Brokers (including their subsidiaries) may, from time to time, participate in underwriting syndicates and/or selling groups with respect to securities issued by portfolio companies of a KAM Fund or an Other Client, or be involved in the private placement of such securities. The Affiliated Brokers may also, from time to time, provide or arrange lines of credit or other financing or provide capital advisory services to portfolio companies. An Affiliated Broker also may act as placement agent or underwriter of securities of a third party that a KAM Fund or Other Client may purchase and may also act as the placement agent for a KAM Fund in certain jurisdictions (although no commissions or other compensation is received by the Affiliated Brokers from such KAM Funds or their investors for such services). The Affiliated Brokers do not otherwise execute transactions on behalf of KAM Funds or Other Clients. Neither KAM nor the KAM Funds or Other Clients generally have the right to share in the compensation received by an Affiliated Broker for its role in any transaction.

The relationship KAM has with its Affiliated Brokers may give rise to a material conflict of interest between KAM and KAM Funds or Other Clients that have an interest in any portfolio companies with respect to which the Affiliated Brokers provide services. In particular, KAM may be incentivized to seek to influence the decision by a portfolio company's management to retain an Affiliated Broker, or to borrow from or otherwise transact with an Affiliated Broker, in favor of other unaffiliated broker-dealers or other services providers or counterparties that may be more appropriate or offer better terms. KAM may also be incentivized to structure portfolio company transactions so that they require the use of a broker-dealer (and consequently provide an opportunity for an Affiliated Broker to be retained by a portfolio company and generate commissions or other compensation).

As discussed generally in Item 4, KAM also engages its Affiliated Brokers in arranging and/or syndicating the issuance of securities or other instruments of certain KAM Funds, and to arrange and/or syndicate investment transactions in which KAM Funds or Other Clients may participate, including transactions alongside KAM and the Affiliated Brokers in different levels of an issuer's capital structure. KAM and its affiliated broker dealers may receive fees as part of their respective roles in arranging and/or syndicating the issuance of securities or other instruments of issuers alongside its affiliated broker-dealers. These fees may, depending on the KAM Fund or Other Client, be shared with the relevant KAM Fund or Other Client through reductions or off-sets against management fees that would otherwise be applicable as described in its offering materials, disclosure documents and/or governing documents. KAM will retain the balance of any such fees not allocated to the relevant clients. KAM may also earn fees as a result of its subsidiaries' providing loan servicing services to certain KAM Funds or Other Clients that invest in loan participations (or to related portfolio companies or lending syndicates), which fees may or may not be shared with the relevant KAM Funds or Other Clients, depending on the applicable governing documents. To the extent KAM or an Affiliated Broker acts as principal in underwriting or placing the securities of certain KAM Funds, or as part of syndicating third-party issuances to KAM Funds or Other Clients, KAM and/or its Affiliated Brokers will be subject to the principal transactions prohibition and must meet the disclosure/consent requirements of Section 206(3) under the Advisers Act.

KAM has adopted a policy under which transactions involving a KAM Fund or Other Client and KAM and/or an Affiliated Broker are reviewed by the KKR Global Conflicts Committee to ensure that the requirements of Section 206(3) of the Advisers Act and Rule 206(3)-2 under the Advisers Act, as applicable, in respect of principal transactions between any KAM Fund or Other Client and KAM or its affiliates (including any Affiliated Broker) are complied with in the context of such transactions.

KKR, through the Affiliated Brokers, provides capital markets services to third parties. An Affiliated Broker's ability to receive in certain capital markets transactions commissions or other transactional compensation on the basis of a KKR or KAM Fund's participation may be limited in certain circumstances. As a result, in the event that such services are provided to an issuer that is or becomes a potential target for a KKR or KAM Fund, KKR, through the Affiliated Brokers, may have a conflict of interest in favoring third party participation over KKR or KAM Fund participation in a related capital markets transaction that may be an appropriate investment opportunity for such KKR or KAM Fund. KAM senior investment personnel will evaluate any such transactions on a case-by-case basis to address any such conflicts.

Other Investment Advisers

Participating Affiliates

KAM has established the following wholly-owned subsidiaries in the U.S. and the Cayman Islands, through which it provides investment management and administration services to certain KAM Funds and Other Clients:

- KKR Strategic Capital Management, L.L.C.
- KKR Financial Advisors LLC
- KKR Financial Advisors II LLC
- KKR FI Advisors LLC
- KKR FI Advisors II LLC
- KKR CS Advisors I LLC
- KKR Mezzanine I Advisors LLC
- KKR FI Advisors Cayman Ltd.

Each of the above entities (“**Participating Affiliates**”) provides management and administration services to specific KAM Funds or Other Clients and provides certain operational and other efficiencies with respect to such services. The Participating Affiliates are subject to KAM’s regulatory oversight and its Code of Ethics (see response to Item 11 below) together with its other compliance policies and procedures as adopted by KAM pursuant to the requirements of the Advisers Act. More particularly, KAM officers and Employees serve as dual personnel of both KAM and one or more Participating Affiliates and, as a result, KAM treats all officers and other personnel of the Participating Affiliates as its “associated persons” and access persons for purposes of the Advisers Act.

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KAM is also affiliated with KKR, which is its parent company, and KKR’s other subsidiaries and affiliated entities that manage KKR’s private equity funds and other funds, investment vehicles and accounts (collectively, “**KKR Funds**”). KKR is separately registered under the Advisers Act as an investment adviser. Certain executives of KKR serve on an investment committees established by KAM. See Item 11 for a discussion of the relationship of KAM, KAM Funds and Other Clients and the KKR Funds.

Commodity Pool Operators and Commodity Trading Advisors

As a result of providing investment advisory services to certain KAM Funds that invest in commodity futures, KAM may from time to time constitute commodity trading advisors and/or commodity pool operators for the purpose of the rules and regulations issued by the U.S. Commodity Futures Trading Commission (“**CFTC**”) under the U.S. Commodity Exchange Act and as such, rely on certain exemptions from registration with the CFTC under that Act. As such status is incidental to KAM’s investment management activities with respect to the relevant KAM Funds, KAM does not view such status as giving rise to a material conflict of interest in respect of such KAM Funds or any other KAM Funds.

Pooled Investment Vehicles

KAM primarily serves as investment adviser to KAM Funds that are pooled investment vehicles. In addition, its affiliate, KKR, also serves as investment adviser of KKR Funds that are, for the most part, pooled investment vehicles. As discussed more fully above and in response to Item 11, KAM Funds, Other Clients and KKR Funds may engage in transactions with, or alongside each other that may give rise to material conflicts of interest. KAM has adopted policies and procedures designed to address conflicts of interest arising between KAM Funds, Other Clients and KKR Funds.

Sponsors of Limited Partnerships

KAM, KKR and certain of their respective affiliates serve as sponsors or syndicators of a number of limited partnerships, including KAM Funds and KKR Funds. Please refer to Item 11 for a discussion of the potential conflicts that may be raised by KAM's relationship with these KAM affiliates and the policies and procedures KAM has adopted to address these conflicts.

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

Code of Ethics

KAM is subject to a Code of Ethics (the “**Code**”) in accordance with Rule 204A-1 of the Advisers Act.

The Code has been established by its affiliate, KKR, for all of its investment advisory subsidiaries, including KAM. The Code sets out standards of business and personal conduct for each Employee and addresses conflicts that arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code is available upon written request of KAM Funds and their current or prospective investors and Other Clients.

The policies and procedures set forth in the Code recognize that as an investment adviser, KAM is in a position of trust and confidence with respect to the KAM Funds and Other Clients and has a duty to place the interests of the KAM Funds and Other Clients before the interests of KAM and its Employees, which duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest. The Code sets out standards of business and personal conduct for each Employee and addresses conflicts that arise from personal trading by such persons and provides for disciplinary sanctions for Code violations. The Code also recognizes that as an investment adviser registered under the Advisers Act, KAM has a further obligation to comply with the provisions of the Advisers Act as well as the other U.S. federal securities laws.

The Code includes a code of conduct adopted by KAM which requires Employees to (i) act with integrity, honesty, competence, and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow Employees, (ii) adhere to the highest standards with respect to any potential material conflicts of interest with KAM Funds and Other Clients, and (iii) preserve the confidentiality of information that they may obtain in the course of KAM's business and use such information properly and not in any way adverse to the interests of any KAM Funds or Other Clients, subject to the legality of using such information.

Under the Code and Firm policy, Employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. This prohibition applies to KKR-related securities as well as to the securities of other issuers. The Code also includes a personal securities investment and reporting policy. This policy, among other things, significantly restricts an Employee's ability to engage in any personal securities transactions without the prior consent of KAM's Chief Compliance Officer and requires reporting of any such transactions. Employees of KAM are required to disclose all brokerage or securities accounts in the individual's name or over which the employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly.

The Code restricts Employees' ability to conduct activities outside the firm that may conflict with the interests of the KAM Funds or Other Clients, requires preapproval for gifts and entertainment in excess of

certain values that may be received and/or provided by Employees, restricts Employees' ability to make political donations and provides for the imposition of sanctions for Code violations.

The KKR Compliance Group receives and reviews all trading and other reports and Employee certifications submitted pursuant to the Code to determine that any personal trading conducted by Employees and other covered persons is consistent with requirements and restrictions set forth in the Code and does not otherwise indicate any improper trading activities.

Additionally, KAM and KKR have adopted inside information barrier policies and procedures to provide for the proper handling of confidential information (i.e., nonpublic information received or created by KKR in connection with its activities) to prevent violations of laws and regulations prohibiting the misuse of such information and to avoid situations that might create an appearance of such misuse.

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

Participation or Interest in Client Transactions

Principal Transactions

KAM and its affiliates generally do not engage in principal transactions with KAM Funds or Other Clients, although, as discussed in Item 10, KAM and/or its Affiliated Brokers may act as principal in underwriting or placing the securities of certain KAM Funds and in connection with arranging or syndicating issuances by third parties to KAM clients. To the extent such transactions are proposed, KAM and its affiliates will not, in accordance with the anti-fraud provisions of the Advisers Act and with KAM's internal compliance policies, as principal, sell a security to, or buy a security from, any KAM Fund or Other Client, without obtaining the informed consent of such KAM Fund or Other Client prior to the settlement of such transaction. In particular, KAM will not engage in such transactions without providing appropriate disclosure and obtaining the prior consent of the KAM Fund or Other Client and the prior written authorization of KAM's Chief Compliance Officer (see "Participation of Affiliated Broker-Dealers in KKR Fund Transactions" below).

Cross Trades

Under certain circumstances, KAM may arrange for purchases and sales of securities between two KAM Funds and/or Other Clients (a "**cross transaction**"). KAM has adopted a specific cross-trading policy for such transactions, under which a cross transaction may only be effected if KAM has determined that such transaction will result in a clear benefit to each participant, and KAM's pricing committee has unanimously approved a price for the subject asset based on, among other things, the underlying credit fundamentals of the asset, documented quotes provided by independent third party dealers or other sources which provide a firm price for the asset and pricing information for comparable assets. Additional compliance checks exist for handling and documenting such transactions. KAM will not arrange for a cross transaction to be implemented unless the requirements of the cross transaction policy are fulfilled.

Participation of Affiliated Broker-Dealers in KAM Fund Transactions

As described in detail in Item 10, KAM (and KKR) is affiliated with several broker-dealers. As further noted, these Affiliated Brokers (including their subsidiaries) may from time to time participate in underwriting syndicates and/or selling groups with respect to securities issued by portfolio companies of KAM Funds or Other Clients or may otherwise be involved in the private placement of such securities and may provide or arrange financing or provide capital advisory services to portfolio companies. As

discussed in Item 10, KAM has adopted a policy under which transactions involving a KAM Fund or an Other Client and KAM or an Affiliated Broker are reviewed by KKR's Global Conflicts Committee to ensure that the requirements of Section 206(3) of the Advisers Act and Rule 206(3)-2 under the Advisers Act, as applicable, in respect of principal transactions between any KAM Fund or an Other Client and KAM or its affiliates (including any Affiliated Broker) are complied with in the context of such transactions.

Financial Interest in KAM Fund Transactions

As described above in response to Item 4, KAM, KKR and their respective affiliates may receive financial advisory and monitoring fees and other compensation for services provided to portfolio companies of KAM Funds and Other Clients. Such parties may also receive "break-up" fees and other compensation with respect to KAM Fund or Other Client portfolio company investments (including un consummated investments). As noted above, such compensation may be shared with the relevant KAM Funds or Other Clients, as required by their offering materials or other disclosure documents and/or the governing documents. As discussed in Item 5, KAM may receive fees as part of its role in arranging and/or syndicating the issuance of securities or other instruments of issuers alongside its affiliated broker-dealers. These fees may, depending on the KAM Fund, be shared with the relevant KAM Fund and its investors through reductions or off-sets against management fees that would otherwise be applicable as described in its offering materials, disclosure documents and/or governing documents. KAM will refund the balance of any such fees not allocated to its clients. KAM may also earn fees as a result of its subsidiaries' providing loan servicing services to certain KAM Funds that invest in loan participations, which fees may or may not be shared with KAM clients, depending on the particular governing documents of a particular KAM client.

KKR, KAM and their affiliates may invest on behalf of their proprietary accounts, KAM Funds, Other Clients and KKR Funds in a portfolio company that is a competitor of a portfolio company of a particular KAM Fund or that is a service provider, supplier, customer, or other counterparty with respect to such company (a "**competitor company**"). In providing advice and recommendations to, or with respect to, a competitor company, and in dealing in its securities on behalf of the relevant proprietary accounts, KAM Funds, Other Clients or KKR Funds, KAM, KKR or their affiliates will not take into consideration the interests of the relevant KAM Fund or Other Client or their portfolio companies. Accordingly, such advice, recommendations and dealings may result in adverse consequences to such KAM Funds or Other Clients or their portfolio companies.

As noted in response to Item 5, Employees of KAM may serve on the boards of such portfolio companies. Serving in such capacity may give rise to conflicts to the extent that an Employee's fiduciary duties to a portfolio company as a director may conflict with the interests of KAM Funds or Other Clients, however, as the KAM Funds (including together with KKR Funds also invested in the relevant companies) will generally be the controlling shareholders of such companies, it is expected that such interests will generally be aligned. Employees currently do and may in the future also receive directors' fees for serving on the board of directors of a portfolio company, which may be retained in whole or in part by the relevant Employee. In addition, Portfolio companies of KAM Funds or Other Clients may, from time to time, make discounts and other benefits available to Employees in connection with products or services offered by such companies.

As discussed below under "KAM Purchases/Sales of Securities Recommended to KAM Clients", Employees and other persons associated with KAM and executives of KAM Fund portfolio companies may be permitted to invest in KKR Funds established as co-investment vehicles to facilitate participation by such persons in portfolio investments made by KAM Funds. KAM and/or its affiliates, including KKR out of its proprietary accounts, may also make capital contributions to KAM Funds. Significant

withdrawals by KAM and KKR (and their respective affiliates and associated persons) of capital from open-ended KAM Funds may have adverse consequences.

Investments in which KAM, KAM Funds, Other Clients, KKR and/or KKR Funds Invest in Different Securities of the Same Issuer

Certain KKR Funds have, and KKR Funds established in the future may have, an investment focus that is, at least in part, similar to a KAM Fund's focus. In particular, certain KAM Funds may co-invest in private equity and other investments made by KKR Funds along side such KKR Funds to the extent KKR has determined that such co-investment opportunities are available. The overlap of investment focus may be viewed as giving rise to conflicts of interest between KAM Funds and KKR Funds and in particular in respect of the allocation of investment opportunities. See the discussion above in Item 11 for further information on how such conflicts are addressed.

Certain KAM Funds and Other Clients and certain KKR Funds may invest in different parts of the capital structure of the same portfolio company. For example, a KAM Fund may invest in debt securities issued by a portfolio company, the rights of which are subordinated to debt securities invested in by another KAM Fund. Alternatively, a KAM Fund may invest in debt securities issued by a portfolio company in which a KKR Fund has a controlling or other equity interest. The interests of KAM Funds and Other Clients or of KAM Funds, Other Clients and KKR Funds, as applicable, may not always be aligned, which may give rise to actual or potential conflicts of interest, or the appearance of such conflicts of interest. Actions taken for one KAM Fund may be adverse to another KAM Fund or actions taken for a KKR Fund may be adverse to KAM or a KAM Fund or Other Client, or vice versa. In addition, because of the affiliation with KKR, KAM may have a greater incentive to invest on behalf of KAM Funds and Other Clients in KKR-sponsored transactions (as compared to transactions sponsored by other private equity firms).

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

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

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

KAM has adopted policies and procedures for the purpose of managing potential conflicts of interest arising from these transactions. These policies and procedures, which include limitations on both the maximum amounts and types of such investment and procedures relating to corporate actions in the event of a bankruptcy, are intended to supplement such restrictions and other requirements relating to such investments as are established and negotiated with respect to the KAM Funds and Other Clients and provided for in their limited partnership agreements, investment management agreements or other governing documents. In addition, as part of KAM's investment process, KAM's senior management will, on a case-by-case basis, discuss and resolve any conflicts that arise among KAM Funds, Other Clients and KKR or its affiliates, and will take into account various factors in determining whether a particular transaction for a KAM Fund or Other Client is in the best interests of that client.

To the extent that KAM Funds and Other Clients, KAM or its affiliates as principals or Seed Investment (as defined below) and KKR Funds co-invest in the same securities of the same issuer, KAM and KKR also will generally seek to ensure that all participants in such co-investments participate on comparable terms. This may not be practicable or appropriate in all circumstances however, and a KAM Fund or Other Client may participate in such investments on different and potentially less favorable terms than other participants if KAM deems such participation as being otherwise in its best interests. This may have an adverse impact on the relevant KAM Fund or Other Client.

CLO Transactions

The majority of KFN's investments are held in CLOs managed by KAM. Affiliates of KAM and KKR may invest in KFN's CLOs and may hold interests with priority and other rights different (and in some cases, better) than those held by unaffiliated investors in different levels of the CLO's capital structure. The differences in rights may create a conflict of interest for KAM in determining whether to take certain actions on behalf of the CLO, as a KAM client, as a whole which may have a different impact on a particular investor. KAM has adopted a policy designed to avoid any such conflicts, or to mitigate a conflict that arises, including, obtaining the approval of the independent board of directors of the CLOs for certain types of actions. In addition, as part of KAM's investment process, KAM's senior management will, on a case-by-case basis, discuss and resolve any conflicts that arise among KAM Funds, Other Clients and CLOs and will take into account various factors in determining whether a particular transaction for a KAM Fund (including a CLO) or Other Client is in the best interests of that client.

KAM Purchases/Sales of Securities Recommended to KKR Clients

KKR sponsors and manages a number of co-investment vehicles that invest in portfolio companies alongside KAM Funds that are only open to investment by KKR (including for these purposes, KAM) employees and other persons associated with KKR or its portfolio companies. These vehicles will

typically invest in portfolio companies at the same time and price and on the same terms as the participating KAM Funds (or Other Clients, if applicable) to the extent practicable. KKR does not generally charge management or performance related compensation for its services to such co-investment vehicles. KKR may similarly co-invest its proprietary accounts in portfolio companies alongside KAM Funds and Other Clients including, in certain cases, in different securities (for example, different tranches of debt securities) issued by the same portfolio company.

Allocation of Investments

KAM may, when appropriate, arrange for the investment in an issuer and allocate the investment among one or more KAM Funds and/or Other Clients. KAM has adopted policies and procedures designed to fairly manage the allocation of such investment opportunities among KAM Funds and Other Clients, to the extent practicable and in accordance with each KAM Fund's or Other Client's applicable investment strategies, over a period of time. KAM's policies and procedures are designed so that no single KAM Fund or Other Client may be or will be favored over another in the allocation of trade orders and investment opportunities, based upon its identity or affiliation, account performance, fee structure, or similar attributes not related to investment factors.

The allocation methodology may be based on a "model" allocation, a pro rata allocation, or any other method deemed appropriate by the investment committee responsible for the KAM investment strategy for which a particular investment is made, provided that the method is designed to achieve a fair and equitable allocation of investment opportunities among KAM Funds and Other Clients over time. A model allocation generally incorporates, to the extent appropriate, the parameters set by the investment committees with respect to the KAM investment strategy as well as the investment criteria of the KAM Funds and Other Clients participating in the KAM investment strategy. Under a pro rata allocation, investments will be allocated among participating KAM Funds and Other Clients pro rata based on requested order size, taking into account any relevant investment criteria, including any priority or defined allocation rights to investment opportunities that may have been granted to KAM Funds or Other Clients. Reallocations are permitted only when in the best interests of all KAM Funds and Other Clients concerned as determined by the portfolio manager seeking to reallocate. Generally, investments, including investments for which an order is not completely filled, will be allocated first to KAM Funds and Other Clients based on the allocation process discussed above, and only then to proprietary accounts of KAM. From time to time, KAM or its affiliates may make and hold, through various entities and subject to specific criteria relating to, among other things, capacity and holding period, proprietary investments for the purpose of developing, evaluating and testing potential KAM client strategies ("**Seed Investments**"). In order to maintain the integrity of the investment strategy and track record of any Seed Investment, Seed Investments will not be considered proprietary accounts for purposes of KAM's allocation policy, and will instead be allocated investments consistent with KAM client allocations. KAM personnel, through their participation on one or more of KAM's internal investment or management committees, will periodically review and approve allocations among KAM Funds and Other Clients in order to assess compliance with KAM's allocation policies and guidelines.

In addition, certain KAM Funds may co-invest in the same securities of a portfolio company along side KKR Funds to the extent KKR has determined such co-investment opportunities are available. KAM and KKR have adopted policies and procedures that seek to allocate such investment opportunities among the relevant KAM Funds in a fair and equitable manner or otherwise in accordance with related disclosure provided to the relevant KAM Funds and their underlying investors or as may otherwise have been agreed in the limited partnership agreements or other documents governing such KAM Funds.

Item 12 Brokerage Practices

Selecting or Recommending Broker-Dealers

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

- competitiveness of commission rates and spreads
- promptness of execution
- past history in executing orders
- clearance and settlement capabilities
- research capabilities and quality
- access to markets, investments (including access to new issues) and distribution network
- trade error rate and ability or willingness to correct errors
- anonymity/confidentiality
- market impact
- liquidity
- speed of execution
- expertise with complex transactions
- trading style and strategy
- geographic location

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

Research and Other Soft Dollar Benefits

KAM does not, consistent with its trading and execution policies and procedures, receive research or other products or services from brokers that execute KAM client transactions.

Brokerage for Client Referrals

KAM may engage broker-dealers or affiliates of broker-dealers with whom it engages in securities transactions on behalf of KAM Funds and Other Clients to place securities issued by KAM Funds. Similarly, such entities may be underwriters of, or otherwise involved in the placement of securities issued by KAM or KKR portfolio companies. In addition, KKR has partnered with Deutsche Bank AG ("DB") in the establishment of KKR Master Index Fund L.P., which is distributed by DB (and KAM may effect securities transactions through DB or its affiliates). The foregoing relationships with broker-dealers and their affiliates may give rise to a conflict of interest to the extent that such relationships could be viewed as influencing KAM's selection of broker dealers and other trading counterparties. KAM, however, takes into account a number of factors in attempting to satisfy its fiduciary obligation to seek best execution for its clients' securities transactions.

Directed Brokerage

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

Aggregation of Client Orders (Bunched Trades)

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

Item 13 Review of Accounts

KAM has an internal structure which allocates responsibility for oversight of KAM Fund and Other Client portfolios and/or specific KAM Fund or Other Client portfolio investments to appropriate investment professionals and committees. All investments of KAM Funds and Other Clients are ultimately overseen by established investment committees, including the KAM Portfolio Management Committee and the KAM Investment Committee, that include William Sonneborn, the Chief Executive Officer of KAM, and Frederick Goltz, KAM's Head of Mezzanine Investments, as well as other KAM investment personnel, and that are devoted to different clients and /or investment strategies developed by KAM. KAM Fund and Other Client portfolios and portfolio investments are reviewed and monitored with respect to historic and anticipated performance and market developments and compliance with the investment mandate of the relevant KAM Fund or Other Client on an ongoing basis, both informally and formally through scheduled quarterly meetings of the relevant investment professionals and investment committees.

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

Item 14 Client Referrals and Other Compensation

Economic Benefits from Non-Clients

As noted above in response to Item 5 and Item 11, KAM or its affiliates may, for example, earn monitoring fees and other compensation from portfolio companies, purchasers, sellers and other parties to transactions involving portfolio company securities as compensation for services, including advice on structuring, negotiating and arranging financing for transactions in which KAM Funds or Other Clients participate and may earn fees in connection with un consummated transactions. This compensation may or may not be shared with KAM Funds or Other Clients through reductions or off-sets against management fees that would otherwise be applicable as described in the offering materials, disclosure documents and/or governing documents of the relevant KAM Funds or Other Client Accounts.

As also noted, Employees of KAM currently do and may in the future also receive directors' fees for serving on the boards of such portfolio companies. These fees are not offset against carried interest or other performance related compensation paid to KAM or its affiliates by any KAM Fund and may be retained in whole or in part by the relevant individuals. Serving on such boards may give rise to conflicts to the extent that an Employee's fiduciary duties to a portfolio company as a director may conflict with the interests of KAM Funds or any Other Client; however, as the KAM Funds and Other Clients will

generally (including together with KKR Funds invested in such companies) be the controlling shareholders of such companies, it is expected that such interests will generally be aligned.

In addition, as noted above in response to Item 4, Affiliated Brokers may receive placement fees and other compensation from participating in the syndication of equity and debt securities issued by portfolio companies of KAM Funds or Other Clients. Such compensation is generally not required to be shared with the relevant KAM Fund or Other Client.

Compensation to Non-Supervised Persons for Client Referrals

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

Item 15 Custody

KAM has custody of the assets of certain KAM Funds, and these KAM Funds and their investors receive annual audited financial statements from the KAM Funds' auditor. Other KAM Funds and Other Clients of KAM receive account statements from broker-dealers, banks or other qualified custodians with respect to the assets managed by KAM. KAM sends certain account and performance information to KAM Funds and Other Clients, and KAM urges the KAM Funds and Other Clients to compare the information they receive from KAM with the information received from KAM Fund auditors or broker-dealers, banks or other qualified custodians.

Item 16 Investment Discretion

KAM, including through the KAM GPs, generally has discretionary authority based on its investment management agreements with KAM Funds and Other Clients and the limited partnership agreements and other governing documents of the KAM Funds to buy and sell securities or other investments on behalf of the KAM Funds and Other Clients and to determine the amount of such investments to be bought and sold, subject to such restrictions as may be specified with respect to each KAM Fund and Other Clients in the governing documents of the relevant KAM Fund, as otherwise may be required pursuant to the rules and regulations of any exchange or market on which the securities of a KAM Fund or Other Client account are admitted to trade. The terms upon which KAM serves as investment manager of a KAM Fund or Other Client are established at the time each KAM Fund or Other Client relationship is established and are generally set out in an investment management agreement and/or limited partnership agreement or other governing document entered into by KAM with respect to the relevant KAM Fund or Other Client, and disclosed in the offering documents for the relevant KAM Fund, as applicable. These terms (including investment restrictions and termination provisions), which vary as among each KAM Fund and Other Client, potentially restrict KAM's advice concerning investment in certain securities or types of securities, geographies and leverage. Generally, the governing agreements of the KKR Funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type.

Item 17 Voting Client Securities

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

A KAM Fund or Other Client or investor in a KAM Fund may obtain a copy of KAM's Proxy Voting policies and procedures and information on how KAM voted proxies on behalf of such party on written request to KAM.

Item 18 Financial Information

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

Item 19 Requirements for State-Registered Advisers

KAM is not registering, nor is currently registered, as an investment adviser with any state securities authorities.